

2009 Explanatory Notes

OFFICE OF INSPECTOR GENERAL

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OFFICE OF INSPECTOR GENERAL

Purpose Statement

The Office of Inspector General (OIG) was established pursuant to the Inspector General Act of 1978 (5 U.S.C. app. 3). Its activities consist of two broad areas: audits and investigations.

The OIG appropriation funds activities which are authorized by the Inspector General Act of 1978 as amended. This Act expanded and provided specific authorities for the activities of the Office of Inspector General, which had previously been carried out under the general authorities of the Secretary of Agriculture. The Office of Inspector General:

- a. Provides policy direction and conducts, supervises, and coordinates all audits and investigations relating to programs and operations of the Department.
- b. Reviews existing and proposed legislation and regulations and makes recommendations to the Secretary and the Congress regarding the impact such initiatives will have on the economy and efficiency of the Department's programs and operations and the prevention and detection of fraud, waste, and mismanagement in such programs.
- c. Recommends policies for and conducts, supervises, or coordinates other activities in the Department whose purposes are to promote economy and efficiency or prevent and detect fraud, waste, and mismanagement.
- d. Recommends policies for and conducts, supervises, or coordinates relationships between the Department and other Federal, State, and local government agencies in: (1) promoting economy; (2) preventing and detecting fraud, waste, and mismanagement; and (3) identifying and prosecuting individuals and groups involved in fraud, waste, and mismanagement.
- e. Keeps the Secretary and the Congress fully and currently informed about fraud, waste, mismanagement, deficiencies, and other serious problems in Department programs and operations; recommends corrective action; and reports on the progress made in correcting problems.

OIG is headquartered in Washington, D.C., with regional offices in the following cities: Beltsville, Maryland; Atlanta, Georgia; Chicago, Illinois; Temple, Texas; Kansas City, Missouri; and San Francisco, California. As of September 30, 2007, total onboard employment was 590, including 582 full-time and 8 part-time employees. There were 108 employees located in the Washington, D.C., metropolitan area and 482 located in the field

OIG Reports

33601-7-Ch 2/07	Review of Customs & Border Protection's Agricultural Inspection Activities
27004-4-At-3/07	Women, Infants, and Children Program in Puerto Rico
24601-8-Ch 8/07	Egg Produce Processing Inspection
03601-12-At 9-07	Tobacco Transition Payment Program Quota Holders and Flue-Cured Tobacco Quotas
33601-9-Ch 10/07	Controls over Permits To Import Agricultural Products
27099-34SF 8/07	Summer Food Service Program in California and Nevada
27099-49SF 9/07	Disaster Food Stamp Program – Hurricanes Katrina and Rita in Louisiana, Mississippi, and Texas

OFFICE OF INSPECTOR GENERAL

Available Funds and Staff Years
2007 Actual and Estimated 2008 and 2009

Item	2007 Actual		2008 Estimated		2009 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Salaries and Expenses.....	\$80,051,640	588	\$80,052,000	600	\$85,766,000	600
Rescission.....		--	-560,000	--		--
Total.....	\$80,051,640	588	\$79,492,000	600	\$85,766,000	600
<u>Obligations under other</u>						
<u>USDA appropriations:</u>						
Risk Management Agency						
Audit of Financial						
Statements.....	352,691	--	353,000	--	353,000	--
Rural Utilities Services						
Audit of Financial						
Statements.....	--	--	40,000	--	40,000	--
Food and Nutrition Services						
Audit of Financial						
Statements.....	1,020,000	--	1,020,000	--	1,020,000	--
Rural Development						
Audit of Financial						
Statements.....	1,000,000	--	1,000,000	--	1,000,000	--
OCFO/WCF Audits.....	800,000	--	800,000	--	800,000	--
Total, Other USDA						
Appropriations.....	3,172,691	--	3,213,000	--	3,213,000	--
Total, Agriculture						
Appropriations	83,224,331	588	82,705,000	600	88,979,000	600
<u>Other Federal Funds:</u>						
Dept. of Education.....	878		--		--	
Total, Other Federal Funds.....	878		--		--	
Total, Office of the Inspector						
General	83,225,209	588	82,705,000	600	88,979,000	600

OFFICE OF INSPECTOR GENERAL

Permanent Positions by Grade and Staff Year Summary
2007 Actual and Estimated 2008 and 2009

Grade	2007			2008			2009		
	Wash DC	Field	Total	Wash DC	Field	Total	Wash DC	Field	Total
Executive Level IV	1		1	1		1	1		1
Senior Executive Service	8		8	8		8	8		8
GS-15	15	14	29	14	13	27	14	13	27
GS-14	28	52	80	27	51	78	27	51	78
GS-13	31	178	209	29	176	205	29	176	205
GS-12	9	94	103	8	93	101	8	93	101
GS-11	9	42	51	8	43	51	8	43	51
GS-9	4	32	36	3	32	35	3	32	35
GS-8	5	7	12	4	9	13	4	9	13
GS-7	10	25	35	9	24	33	9	24	33
GS-6	1	26	27	1	25	26	1	25	26
GS-5	4	16	20	3	15	18	3	15	18
GS-4	1	3	4	1	3	4	1	3	4
Total Permanent Positions.....	126	489	615	116	484	600	116	484	600
Unfilled Positions end-of-year.....	18	15	33	--	--	--	--	--	--
Total, Permanent Full-Time Employment, end-of-year.....	108	474	582	116	484	600	116	484	600
Staff Year Estimate.....	112	476	588	116	484	600	116	484	600

OFFICE OF INSPECTOR GENERAL

Size, Composition, and Cost of Motor Vehicle Fleet

The fiscal year (FY) 2009 budget estimate proposes no change in the number of motor vehicles.

The motor vehicles of the Office of Inspector General are used for law enforcement purposes. These vehicles, which are issued to criminal investigators, are utilized in the pursuit and prevention of criminal activities, such as fraud in subsidy, price support, benefits, and insurance programs; significant thefts of Government property or funds; bribery; extortion; smuggling; and assaults on employees. In addition, the vehicles are used for investigations involving criminal activity that affects the health and safety of the public, such as meat packers knowingly selling hazardous food products and individuals who tamper with food regulated by USDA. In addition, OIG criminal investigators are poised to provide emergency law enforcement response to USDA declared emergencies and suspected incidents of terrorism affecting USDA regulated industries, as well as USDA programs, operations, personnel, and installations, in coordination with Federal, State, and local law enforcement agencies, as appropriate.

Changes to the motor vehicle fleet. No changes in the motor vehicle fleet are expected in FY 2009.

Replacement of passenger motor vehicles. Any replacements will be funded from within the annual operating costs of the motor vehicle fleet.

Impediments to managing the motor vehicle fleet. There are no identified impediments to managing the motor vehicle fleet in the most cost-effective manner.

Size, Composition, and Annual Cost
(Dollars in thousands)

Fiscal Year	Number of Vehicles by Type*							Total Vehicles	Annual Operating Cost
	Sedans & Station Wagons	Light 4x2	Trucks 4x4	Medium Trucks	Heavy Trucks	Ambu- lances	Buses		
FY 2006	89	46	42	--	--	--	--	177	\$947
Change from 2005	-15	-2	-6					-23	
FY 2007	83	42	51	--	--	--	--	176	\$947
Change from 2006	-6	-4	9	--	--	--	--	-1	
FY 2008	83	42	51	--	--	--	--	176	\$966
FY 2009	83	42	51	--	--	--	--	176	\$985

*These numbers include vehicles that are owned by the agency and those leased from GSA.

OFFICE OF INSPECTOR GENERAL

Appropriation Language and
Explanation of Changes in Language

The estimate includes proposed changes in the language of this item as follows (new language underscored; deleted matter enclosed in brackets):

Office of Inspector General

For necessary expenses of the Office of Inspector General, including employment pursuant to the Inspector General Act of 1978, [\$80,052,000], \$85,766,000, including such sums as may be necessary for contracting and other arrangements with public agencies and private persons pursuant to section 6(a)(9) of the Inspector General Act of 1978, and including not to exceed \$125,000 for certain confidential operational expenses, including the payments of informants, to be expended under the direction of the Inspector General pursuant to Public Law 95-452 and section 1337 of Public Law 97-98.

OFFICE OF INSPECTOR GENERAL

Lead-off Tabular Statement

Salaries and Expenses

Appropriations Act, 2008.....	\$80,052,000
Budget Estimate, 2009.....	<u>85,766,000</u>
Increase in Appropriation.....	<u>+5,714,000</u>
Adjustments in 2008:	
Appropriation Act, 2008.....	\$80,052,000
Recission under P.L. 110-161 <u>a/</u>	<u>-560,000</u>
Adjusted base for 2008.....	\$79,492,000
Budget Estimate, 2009.....	<u>85,766,000</u>
Increase over adjusted 2008.....	+6,274,000

a/ The amount is rescinded pursuant to Division A, Title VII, Section 752 of P.L. 110-161.

Summary of Increases and Decreases

(On basis of appropriation)

<u>Item of Change</u>	<u>2008 Estimated</u>	<u>Pay Costs</u>	<u>Program Changes</u>	<u>2009 Estimated</u>
Audit and Investigations.....	\$79,492,000	+\$2,025,000	+\$4,249,000	+\$85,766,000

OFFICE OF INSPECTOR GENERAL

Project Statement - Current Law
(On basis of appropriation)

	<u>2007 Actual</u>		<u>2008 Estimated</u>		<u>Increase or Decrease</u>	<u>2009 Estimated</u>	
	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>		<u>Amount</u>	<u>Staff Years</u>
1. Audit.....	\$38,881,613	329	\$38,951,000	336	\$3,074,000	\$42,025,000	336
2. Investigations.....	40,468,618	259	40,541,000	264	3,200,000	43,741,000	264
Unobligated Balance.....	+701,409						
Total Available or Estimate.....	80,051,640	588	79,492,000	600	<u>6,274,000</u>	<u>85,766,000</u>	<u>600</u>
Rescission.....	-		+560,000				
Appropriation.....	<u>80,051,640</u>	<u>588</u>	<u>80,052,000</u>	<u>600</u>			

OFFICE OF INSPECTOR GENERAL

Justification of Increases

An increase of \$6,274,000 for the Office of Inspector General consisting of:

- (a) A total increase of \$5,774,000, of which \$2,025,000 is for 2009 pay costs, and \$3,749,000 to maintain and improve effectiveness of current staff.

OIG has absorbed about a 22 percent decrease in staff from 754 in FY 1996 to 590 in FY 2007 and will not be able to maintain even this reduced level of staffing. OIG is attempting to hold the line on staff losses at this 22 percent reduced level but is finding it difficult to continue to fund staff at even this level because we have had to fund the mandatory annual pay raises without the requisite annual pay cost adjustments. The requested increase is needed just to maintain our current staffing level. Without the funding, OIG will be unable to fill current vacancies and will lose more staff. This will result in reduced numbers of reports and investigations.

This funding is crucial to ongoing OIG operations. The only way OIG can significantly cut costs is to cut staff on board. Yet OIG's ability to provide services to the Department, Congress, and the public is directly tied to the number of staff it can support. OIG produces audits, inspections, and investigations, and the ability to produce that work is directly tied to the number of trained, professional staff OIG can maintain and support. Over the last 4 fiscal years, management has agreed to over \$1.66 billion in OIG financial recommendations and investigative recoveries, while our estimated appropriations for the same period were \$314 million.

In this past year alone, OIG has made program improvement recommendations that have resulted in USDA action in the following areas: the Food Safety and Inspection Service agreed to improve oversight of food safety; USDA agreed to assign a senior-level official to coordinate with the Environmental Protection Agency's Chesapeake Bay Program; the Forest Service (FS) agreed to modify its policies that unduly restrict the use of fire to reduce hazardous fuels (brush, dead trees) on FS land; the Food and Nutrition Service agreed to finalize Federal food stamp regulations pertaining to disaster assistance; and Civil Rights agreed to develop a detailed formal plan to process equal employment opportunity complaints timely and effectively. The above OIG activities carry no monetary value per se, but their impact can be immeasurable in terms of safety, security, and public health.

Elimination of the pay cost increase means that OIG would not be able to fund about 18 staff. We would have to accomplish this reduction in staff through attrition or layoffs. The reduction would prevent us from fully performing our mission, and it means OIG would not be able to respond as quickly and thoroughly to the requests for technical assistance and reviews that we regularly receive from the Department and from Members of Congress. The types of projects OIG would have to cancel or curtail include audits, investigations, and other reviews of:

- * High-dollar food stamp fraud
- * Major farm program fraud (e.g. farm loans, crop insurance)
- * IT security breaches involving compromising personally identifiable information
 - * Animal fighting investigations and animal health risks (e.g. avian influenza)
 - * Contamination or tampering of food products
 - * Smuggling of animals, animal products, plants, and plant products
 - * Issues involving Bovine Spongiform Encephalopathy

- * Potential acts of agro-terrorism
- * Security practices and procedures in use in the highest risk laboratories receiving USDA funding
- * Analysis of databases across OIG to identify opportunities for data mining

Lack of resources to support adequate staffing will continue to hinder the quality, quantity, and timeliness of reports used by the Department, Congress, and the public.

(b) An increase of \$500,000 to support the following IT hardware/software.

Two of the current Storage Area Networks (SAN) used to store information on OIG audits, Investigations, and inspections require replacement, as they will reach the end of their useful lives before the end of FY 2009. The two SANs that are expiring are particularly important, as they support OIG Headquarters and the Headquarters backup site of Kansas City. Should either of these systems fail, vital information for ongoing OIG operations would be at best unavailable for some period of time, and at worst permanently lost, threatening the conduct and credibility of OIG audits and investigations. Examples of information that could become unavailable include all audit workpapers implemented with Teammate software, final audit and investigation reports, and e-mail post office accounts for Headquarters and all of the regions. The new SANs we plan to purchase will have increased storage to allow OIG to consolidate data currently stored on regional servers and will allow for data replication and disaster recovery options not available when the current SANs were purchased. The request would cover the cost of the SANs themselves, related supplies (\$400,000), and necessary contractor support for their installation (\$100,000).

OFFICE OF INSPECTOR GENERAL

Geographic Breakdown of Obligations and Staff Years
2007 Actual and Estimated 2008 and 2009

	2007		2008		2009	
	Staff		Staff		Staff	
	Amount	Years	Amount	Years	Amount	Years
California.....	\$8,771,709	65	\$8,744,000	66	\$9,434,000	66
Washington, D.C.	15,114,330	112	15,368,000	116	16,581,000	116
Georgia.....	10,256,152	76	10,201,000	77	11,007,000	77
Illinois.....	9,716,355	72	9,672,000	73	10,435,000	73
Maryland.....	11,200,798	83	11,261,000	85	12,150,000	85
Missouri.....	14,709,482	109	14,839,000	112	16,010,000	112
Texas.....	9,581,405	71	9,407,000	71	10,149,000	71
Subtotal,						
Available						
or Estimate.....	79,350,231	588	79,492,000	600	85,766,000	600
Unobligated Balance.....	+701,409		-		-	
Total, Available						
or Estimate	80,051,640	588	79,492,000	600	85,766,000	600

OFFICE OF INSPECTOR GENERAL
Salaries and Expenses

Classification by Objects
2007 Actual and Estimated 2008 and 2009

Personnel Compensation:		<u>2007</u>	<u>2008</u>	<u>2009</u>
Washington, D.C.		\$7,566,935	\$7,874,000	\$8,095,000
Field.....		42,879,300	44,317,000	45,873,000
		<hr/>		
11	Total personnel compensation.....	50,446,235	52,191,000	53,968,000
12	Personnel benefits.....	15,200,711	15,899,000	16,423,000
13	Benefits for former personnel.....	9,669	10,000	21,000
		65,656,615	68,100,000	70,412,000
		<hr/>		
Other Objects:				
21	Travel.....	4,700,492	4,965,000	5,901,000
22	Transportation of things.....	122,205	199,000	480,000
23.1	Rental payments to GSA.....	114,331	130,000	230,000
23.2	Rental payments to others	71,245	49,000	52,000
23.3	Communications, utilities, and miscellaneous charges.....	1,221,264	877,000	1,135,000
24	Printing and reproduction.....	131,693	120,000	157,000
25.1	Advisory and assistance services....	898,963	586,000	708,000
25.2	Other services.....	1,147,957	596,000	720,000
25.3	Purchases of goods and services from Government accounts.....	1,506,025	506,000	1,076,000
25.4	Operation and maintenance of facilities.....	1,315,356	746,000	1,012,000
25.5	Research and development contracts.....	472,967	147,000	225,000
25.6	Medical care.....	132,582	83,000	97,000
25.7	Operation and maintenance of equipment.....	357,321	231,000	408,000
25.8	Subsistence and support of persons.....	66,291	44,000	78,000
26	Supplies and materials.....	669,338	635,000	789,000
31	Equipment.....	762,355	1,446,000	2,245,000
42	Insurance & Indemnities.....	3,000	30,000	38,000
43	Interest & Dividends.....	231	2,000	3,000
		<hr/>		
Total other objects.....		13,693,616	11,392,000	15,354,000
		<hr/>		
Total direct obligations.....		79,350,231	79,492,000	85,766,000
		<hr/>		
<u>Position Data:</u>				
Average Salary, ES positions.....		\$151,000	\$152,000	\$155,000
Average Salary, GS positions.....		\$87,000	\$86,000	\$88,000
Average Grade, GS positions.....		11.5	11.5	11.6

OFFICE OF INSPECTOR GENERAL

STATUS OF PROGRAM

The Office of Inspector General (OIG) is operationally independent of other agencies of the Department. OIG has the responsibility to: (1) supervise, coordinate, and provide policy direction for audit and investigative activities relating to programs and operations of the Department; (2) recommend policies and conduct, supervise, or coordinate other activities of the Department for the purpose of promoting economy and efficiency and preventing and detecting fraud, waste, and mismanagement in its programs and operations; (3) keep the Secretary and Congress informed of fraud and other serious problems, waste, and deficiencies relating to the administration of programs and operations of the Department; and (4) recommend corrective action and report on progress made in obtaining management's agreement to implement such action.

During fiscal year (FY) 2007, OIG issued 318 investigative reports and 61 audit reports. Total Audit and Investigative monetary results totaled \$154.1 million. OIG investigations resulted in 524 indictments and 442 convictions. The period of time to get court action on an indictment varies widely; therefore, the 442 convictions are not necessarily related to the 524 indictments. Our return on investment is \$4.65 for every dollar invested in OIG since FY 2003 when we started collecting the data.

Audit Monetary Results:

During FY 2007, management decisions were made on 55 audit reports, which include both current and prior year audit reports. At the time of the management decision, the monetary values agreed to by agencies were:

		<u>(in millions)</u>
Questioned and unsupported costs and loans		\$71.0
Recommended for recovery	\$12.5	
Not recommended for recovery	58.5	
(included in the total monetary results)		
Funds to be put to better use		<u>19.9</u>
Total audit monetary results		\$90.9

Investigative Monetary Results:

		<u>(in millions)</u>
Claims established		\$12.4
Recoveries and collections		10.7
Cost avoidance (USDA program payments not made due to OIG investigations)		1.0
Fines		5.8
Administrative penalties		1.3
Restitutions		<u>32.0</u>
Total investigative monetary results		\$63.2

The President's Management Agenda for the Federal government includes expected goals and outcomes to which USDA has developed specific goals for the Department to support this overall agenda. OIG developed goals and outcomes that relate to and support those of USDA. OIG's audit and investigatory

work for FY 2007 is summarized below in five main challenge areas we have identified for USDA. These areas – (1) safety, security, and public health; (2) integrity of benefits and entitlement programs; (3) management improvement initiatives; (4) managing and exercising stewardship over natural resources; and (5) a highly qualified diverse workforce – serve as both a roadmap for OIG’s audit and investigatory work and as the main groupings for this Status of Program Report.

SAFETY, SECURITY, AND PUBLIC HEALTH – Strengthen USDA’s ability to implement safety and security measures to protect the public health, as well as agricultural and Departmental resources.

OIG audits and investigations disclose weaknesses, make recommendations for improvement, and highlight strengths in USDA programs. One of OIG’s priorities is to ensure the safety and security of the Nation’s food supply and agricultural resources and infrastructure, as well as national security. OIG’s audits and investigations, as a part of our mission, help ensure the Nation’s commercial supply of imported and domestic meat, poultry, and egg products is safe, wholesome, and correctly labeled.

Challenges to this include food-borne illnesses and the unintentional or intentional adulteration of meat and other food products. The protection of America’s animal and plant resources requires that these resources are safeguarded from exotic invasive pests and that trade issues relative to animal and plant health are resolved. However, the greater challenge is to ensure the programs are working and properly administered so the safety risk to those who consume the food products is minimized. The challenge is associated with ensuring a safe, secure, and healthy American agricultural system and economy. Safety and security of computer and building assets, acts of terrorism, and violent crimes are also major concerns within USDA, and they have to be quickly identified and remedied.

In furtherance of our efforts in this area, Investigations has an Emergency Response Program (ERP) which will be activated in the event of an agriculture-related incident.

Highlights of current and planned OIG audits, inspections, and investigations, as well as select examples of recent progress accomplished through OIG audits and investigations are described below:

Highlights of Current and Planned Audit Work:

USDA’s Implementation Plan for National Strategy for Pandemic Influenza (the Plan). The audit will determine whether the Animal and Plant Health Inspection Service (APHIS) has adequately implemented the measures required by the Plan issued by the Homeland Security Council in May 2006. Specifically, we will continue to determine whether APHIS is taking the necessary steps to fulfill its roles and responsibilities as required in the Plan. We will also continue to follow up on corrective actions initiated in response to our prior audit on Avian Influenza.

USDA’s Controls over the Importation and Movement of Live Animals. The audit will evaluate USDA’s controls over the importation and movement of live animals.

APHIS Inspection of Breeders. The audit will evaluate the status of APHIS’ actions to determine whether its statutory enforcement authority is sufficient to ensure that breeders’/dealers’ facilities are in compliance with the Animal Welfare Act. Our review will include an examination of APHIS’ procedures for inspections, violation citations, and follow up.

Issues Affecting the Development of Risk-Based Inspections at Processing Establishments. The audit evaluated the Food Safety and Inspection Service’s (FSIS) plan for implementing a Risk-Based Inspection Program at meat and poultry processing establishments. We evaluated the overall effectiveness of FSIS’ management control processes, as well as assessed FSIS’ data to support the development and design of risk-based inspection. This included whether FSIS determined product risk and establishment risk utilizing an unbiased, logical system based on timely, comprehensive, accurate, and scientific data. In addition, we

determined whether FSIS had fully implemented prior OIG audit recommendations considered the most critical to the development and implementation of risk-based inspection.

Follow-up on FSIS' Inspection of Meat and Poultry Imports. The audit will evaluate the adequacy of FSIS' inspection processes including: (1) determinations that foreign countries' food safety systems are equivalent to U.S. standards, (2) periodic (generally annual) onsite, in-country reviews to verify that the systems remain equivalent, and (3) reinspection of products at U.S. ports of entry. We will also determine whether FSIS has taken appropriate and timely actions to implement prior OIG audit recommendations.

FSIS Sampling and Testing Procedures for E.Coli. The Acting Secretary requested OIG's recommendations concerning whether improvements could be made to the agency's sampling and testing procedures for E.coli O157:H7, taking into account OIG's views on optimal methodologies.

Forest Service's Air Safety Program. The audit will evaluate whether the Forest Service's (FS) air safety program is adequate to minimize accident risks and contributes to the effective use of its aerial resources.

FS Firefighting Succession Plans. The audit will determine whether FS has adequately planned for the timely replacement of its critical wildfire suppression personnel as retirements increase and fewer of its personnel volunteer for fire suppression duties due to concerns over safety, liability, and other factors.

USDA's Role in the Export of Genetically Engineered Agricultural Commodities. The audit will assess USDA's role in promoting the export of genetically engineered agricultural commodities and developing a proactive trade strategy for promoting U.S. agricultural commodities.

Controls over Genetically Engineered Animals and Insects. The review will determine: (1) which USDA agencies have oversight responsibilities for regulating genetically engineered animal and insect research, (2) whether current law and/or USDA regulations provide adequate authority to control genetically engineered animal/insect research, (3) the extent of activities in the Department and which agencies are involved, and (4) if agencies established sufficient controls to ensure genetically engineered animals/insects are not released into the environment.

Controls over Genetically Engineered Food and Agricultural Imports. The review will evaluate USDA controls over monitoring and inspecting genetically engineered food and agricultural imports to ensure that the risks are minimized and that controls are effective.

Implementation of Flood Control Dams Rehabilitation. The Watershed Rehabilitation Amendments of 2000 authorized the National Resources Conservation Service (NRCS) to assist local organizations with the rehabilitation of aging dams located in their communities. Our overall objective is to review the adequacy of controls in the NRCS program for rehabilitation of flood control dams.

Selected Examples of Recent Progress – Audit:

Review of Customs and Border Protection's Agriculture Inspection Activities. USDA/OIG teamed with the Department of Homeland Security (DHS)/OIG to evaluate the post-transition effectiveness of APHIS and U.S. Customs and Border Protection (CBP) in safeguarding U.S. agriculture from incursions by foreign pests and diseases. The audit disclosed that the two Departments had made progress in correcting the deficiencies noted in previous audits, resolving several outstanding recommendations. Based on issues identified in the new review, however, DHS/OIG issued several recommendations to CBP to improve operational areas at ports-of-entry. In response to USDA/OIG recommendations, APHIS agreed to issue policy guidance to clarify CBP's responsibilities for Transportation and Exportation permits that allow prohibited and restricted agricultural commodities to be trans-shipped across the country to foreign

destinations and for the handling of seized agricultural products at ports-of-entry. APHIS also agreed to develop a process to allow both agencies to assess the risk of agricultural products entering the country by rail.

Egg Product Processing Inspection. Our audit evaluated FSIS' monitoring and inspection of egg and egg product processing plants. Although FSIS has administered the Egg Product Inspection Program for 12 years, this area of the agency's operations has not yet been integrated into FSIS' overall management control structure, including the science-based Hazard Analysis and Critical Control Point (HACCP) program and the automated Performance Based Inspection System. We recommended that FSIS develop a plan to incorporate egg product inspections into HACCP and its management control systems, which would include a system of electronic records to record inspection data. We also recommended that once this has been accomplished that FSIS officials conduct trend analyses to identify any serious deficiencies at egg product processing plants and take appropriate corrective actions. Finally, we recommended that FSIS include egg product processing plants in the next Canadian equivalency review and that visits are made to the establishments. FSIS agreed with the findings and recommendations.

Controls over Permits To Import Agricultural Products. Our audit evaluated APHIS' controls over permits to import biohazardous and other regulated material and assessed the effectiveness of APHIS' corrective actions in response to a prior OIG audit issued in 2003. Although APHIS had taken some of the corrective actions recommended in the prior audit, other key recommendations still needed to be implemented to improve monitoring activity at a national level. APHIS agreed to take actions to address the identified deficiencies including developing timeframes to finalize the implementation of ePermits, incorporating the ability to identify permit holders required to be inspected, tracking permit activity at ports-of-entry, and strengthening controls to ensure that compliance inspections are performed.

Highlights of Current and Planned Investigations Work:

Animal Fighting. OIG/Investigations continues to investigate allegations of animal fighting, including dogfighting and cockfighting. Animal fighting presents serious human and animal health risks, such as Avian Influenza, particularly when animals are transported between States or smuggled into the United States for fighting purposes. Further, these investigations will assist in preventing other types of violent crimes associated with these illegal activities. As part of an ongoing OIG/Investigations' initiative, we will closely monitor animal fighting activities and develop a link analysis database that will capture vital information pertaining to animal fighting investigations to assist in identifying organized networks operating throughout the country.

Emergency Response Program. Within the next year, the Emergency Response Team (ERT), the first of the two components of the ERP, plans to meet all training and certification requirements to ensure a constant state of readiness in the event of an agriculture-related incident. Additionally, we will continue to partner with other Federal agencies to ensure our interoperability with one another to act as a force multiplier in the event a response is necessary. The ERT will also continue to participate in meetings and training opportunities in the international arena in order to stay abreast of current and potential threats against American agriculture.

Wildland Fire Investigation Team. Within the next year, the Wildland Fire Investigation Team (WFIT), the second of the two components of ERP, will continue to aggressively obtain and pursue training necessary to maintain their certifications and to stay current with new technology and techniques in their field of expertise. As stated, Public Law 107-203, enacted on July 24, 2002, requires OIG "in the case of each fatality of an officer or employee of the Forest Service that occurs due to wildfire entrapment or burnover, the Inspector General of the Department of Agriculture shall conduct an (independent) investigation of the fatality...." The WFIT is currently involved in ongoing investigations into the deaths of FS firefighters.

Selected Examples of Recent Progress – Investigations:

Emergency Response Team. During FY 2007, the ERT enhanced its technical expertise in Hazardous Waste Operations and crime scene processing. The ERT participated in numerous agroterrorism workshops throughout the country which were sponsored by the Federal Bureau of Investigation (FBI). In September 2007, the ERT took part in a full-field exercise in Seattle, Washington, which enabled the team to utilize its highly specialized training and equipment to respond with members of FBI's Hazardous Materials Response Unit, the Seattle Fire Department, and the Seattle National Guard Civil Support Team to a scenario involving a deliberate E. Coli and Foot and Mouth Disease outbreak. Additionally, the ERT served as a resource to OIG's regional offices on numerous occasions during the execution of search warrants related to allegations of animal fighting. Also, during this year, the ERT participated in Emergency Support Function No. 13 on an on-call basis in response to Hurricane Dean. Due to the unique capabilities of the ERT, an ERT representative was invited to speak at several (FBI) international meetings on the team's role in an agroterrorism event.

Owner and Corporation Plead Guilty to Defrauding Bovine Spongiform Encephalopathy Surveillance Program. In February 2007, an Arizona meat processing company and its owner pled guilty to charges of theft of government funds, mail fraud, and wire fraud. The owner and his company defrauded the Bovine Spongiform Encephalopathy (BSE) Surveillance Program when they falsified BSE Surveillance Data Collection Forms and then submitted payment requests to USDA for the services. In addition to the targeted sample population (those cattle that were more than 30 months old or had other risk factors for BSE), the owner submitted to USDA, or caused to be submitted, BSE obex (brain stem) samples from healthy USDA-inspected cattle. As a result, the owner fraudulently received approximately \$390,000. In September 2007, the owner was sentenced to serve 8 months in Federal prison, followed by 36 months of supervised release, and was ordered to pay \$390,000 in restitution and a \$100,000 fine. The meat processing company was fined \$100,000.

Professional Athlete's Dogfighting Ring Broken Up in Virginia. Between July and October 2007, five individuals pled guilty in Federal court to conspiracy to travel in inter-State commerce in aid of unlawful activities and to sponsor a dog in an animal-fighting venture that took place on the grounds of the professional athlete's home in Surry, Virginia, from 2001 to 2007. Located on the grounds were structures specifically designed for the breeding, housing, and fighting of dogs. In addition, 66 dogs, including 53 pit bulls, as well as 13 other dogs of mixed breeds believed to be pets, were seized by State authorities when they executed a search warrant on the property. The U.S. attorney's office pursued Federal court actions to seize and forfeit the 53 pit bulls from the State to assume custody for evidence. The 13 other dogs were non-fighting breeds and were not part of the seizure order issued by Federal court. In September 2007, four of the five individuals were charged in a Surry County court proceeding on State charges related to dogfighting. As of November 21, 2007, 31 dogs are currently in Virginia shelters pending permanent placement in foster care or sanctuaries. Sixteen additional dogs are in foster care with 12 in California, 3 in New York, and 1 in Washington. This investigation was conducted jointly with the Surry County Sheriff's Office and the Virginia State Police.

Investigation of Multi-State Dogfighting Enterprise Yields Currency, Illegal Drugs, and Firearms in "Operation Bite Back". In March 2007, an OIG investigation of an underground dogfighting and gambling organization operating in Ohio, Kentucky, and Michigan resulted in the filing of charges against 56 individuals, 44 of whom have pled guilty to charges involving violations of State and Federal laws prohibiting dogfighting, possession of firearms, gambling, food stamp trafficking, and inter-State transportation of stolen vehicles. Electronic Benefits Transfer (EBT) fraud, wagering, sale and use of narcotics, illegal firearms, and the sale of stolen property were observed during the dogfights. Search warrants resulted in the seizure of pit bulls, U.S. currency, marijuana, cocaine, firearms, a bulletproof vest with a ski mask, a warehouse full of dogfighting equipment, and blood-stained fighting pits. There are currently two fugitives outstanding in this case. The investigation was conducted jointly with the Ohio Organized Crime Investigations Commission and the investigation is ongoing.

Georgia Father Sentenced to 60 Months of Imprisonment for Poisoning His Children. In April 2007, a Stockbridge, Georgia, man was sentenced to 60 months of imprisonment and 36 months of supervised release after having pled guilty in Federal court to food tampering in February 2007. On three occasions, the man claimed that his two young children had been harmed by eating contaminated soup. The investigation revealed that the father was responsible for contaminating the soup. As part of the sentencing, the judge ordered the man to have no contact with his children. This investigation was conducted jointly with USDA/FSIS, the Clayton County Police Department (Georgia), and FDA.

INTEGRITY OF BENEFITS AND ENTITLEMENTS PROGRAMS – Reduce program vulnerabilities and strengthen program integrity in the delivery of benefits to program participants.

USDA works to harness the Nation's agricultural abundance with a goal of ending hunger and improving nutrition and health throughout the country and the world. Benefit and entitlement programs in USDA include many programs that provide payments directly to those individuals or entities in need of support in order to achieve the goals of USDA. These benefit programs, which are extremely high in cost, are also very susceptible to misuse by organized groups and individuals.

In addition, USDA helps rural communities develop, grow, and improve the quality of life by targeting financial and technical resources to those areas of greatest need. Programs include those that help build competitive businesses and community facilities and low-to-moderate income housing. Other programs establish and sustain agricultural cooperatives and provide modern, affordable utilities. Again, there is great potential for misuse of the funds that USDA administers by organizations and individuals. The challenge is associated with ensuring the integrity of USDA's entitlement and benefits programs, particularly those related to nutrition, farm programs, and rural communities.

OIG will continue to investigate allegations of criminal activity in the various USDA programs, such as food and nutrition programs, including the Food Stamp Program (FSP), the Women, Infants, and Children Program (WIC), and the National School Lunch Program (NSLP). In addition, OIG will investigate matters of fraud involving crop insurance, payment limitations, and rural development programs, which will include matters of loan fraud, embezzlement, theft, false statements, conversion of collateral, equity skimming, and contract fraud.

Highlights of current and planned OIG audits, inspections, and investigations, as well as select examples of recent progress accomplished through OIG audits and investigations are described below:

Highlights of Current and Planned Audit Work:

Hurricanes Katrina, Wilma, and Rita Recovery Efforts. In September 2005, the Gulf Coast Region of the United States suffered loss of life and severe damage to the overall infrastructure, including private residences, public buildings, businesses, and farms resulting from Hurricanes Katrina and Rita. OIG work to protect the integrity of hurricane relief benefits to the Gulf States is currently being finalized and includes:

- Livestock and Feed Indemnity Programs (LIP and FIP). This audit will evaluate the effectiveness of the Farm Service Agency (FSA) program delivery of LIP and FIP and the adequacy of its management controls to ensure program integrity.
- Emergency Forestry Conservation Reserve Program (EFCRP). This audit will evaluate the effectiveness of FSA's program delivery of EFCRP and the adequacy of its management controls to ensure program integrity.

FSA – Tobacco Transition Payment Program (TTPP)/Tobacco Assessments. OIG will determine whether FSA has established controls adequate to ensure that assessments are properly collected from domestic

tobacco manufacturers and tobacco product importers in order to fund TTPP payments to eligible tobacco quota holders and producers. This audit (of TTPP assessments) is the second of a three-part review of FSA's implementation of the 10-year, \$10 billion TTPP.

Controls over FSA-Guaranteed Farm Loan Program Interest Rates and Interest Assistance. The objectives of this audit are to evaluate FSA's controls over guaranteed farm loan interest rates charged by lenders and FSA interest assistance provided to borrowers.

FSA – Marketing Assistance Loan and Loan Deficiency Payment Provisions for Pulse Crops. The objective of the audit is to determine whether the established pulse crop price support national and regional loan rates and repayment rates resulted in potentially higher program costs for pulse crops, particularly dry peas, and to quantify that effect.

Effectiveness and Enforcement of Debarment and Suspension Regulations in USDA. Our audit will determine if debarment and suspension regulations are being effectively utilized and are employed in all situations that warrant such action so programs are protected from future harm and dollar losses caused by habitual abusers of government programs.

Food and Nutrition Service Oversight of Electronic Benefits Transfer Operations. We will evaluate the adequacy of established EBT controls on a national basis and the effectiveness of oversight efforts. This includes an assessment of controls at EBT processor(s) and State agencies.

Implementation of Renewable Energy Programs in USDA. In 2006, OIG began an initiative to evaluate the Department's efforts to promote renewable energy projects as directed by existing legislation and the President's Advanced Energy Initiative. Specifically, we will evaluate aspects of planning, coordination, and monitoring as well as assess internal controls designed to ensure that renewable energy funding was used appropriately. As part of this effort, work is currently being performed in the following agencies: FS, the Rural Business-Cooperative Service (RBS), and the Rural Utilities Service. We have also scheduled [for FY 2008] renewable energy work to begin in the Agricultural Research Service (ARS) and the Cooperative State Research, Education, and Extension Service.

RBS Intermediary Relending Program (IRP). We will examine controls for ensuring that: (1) loans are made to eligible borrowers for eligible purposes, (2) liens are in place to secure the loans, (3) loan disbursements are made in accordance with regulations, (4) appropriate servicing actions are taken to assure collections, and (5) appropriate collection action is taken on defaulted loans. We will also examine RBS' process for approving recipients and projects for IRP loans.

Selected Examples of Recent Progress – Audit:

TTPP Quota Holders and Flue-Cured Tobacco Quotas. TTPP has provided annual transitional payments for 10 years to eligible tobacco quota holders (landowners of farms to which tobacco quota was assigned) and producers of quota tobacco. This audit was the first of a three-phase review of the \$10 billion TTPP. We reviewed FSA's controls to ensure: (1) payments are issued to eligible quota holders and (2) flue-cured tobacco quotas are correct. FSA generally agreed with our recommendations to make corrections as necessary.

Citrus Indemnity Determinations Made for 2004 Hurricane Damage in Florida. Approved insurance providers (AIP) issued millions of dollars in indemnity payments to Florida producers for damage to their crops resulting from the 2004 hurricanes – Charley, Frances, and Jeanne. The Risk Management Agency (RMA), which reinsures these AIPs, paid indemnities totaling \$121 million on 1,677 claims for Florida crops damaged by the 2004 hurricanes, including \$50 million on 1,144 citrus claims. Our review of 21 citrus indemnity payments totaling \$10.3 million found that AIPs made erroneous loss adjustment

determinations on 15 claims. These erroneous determinations resulted in \$415,710 in overpayments and underpayments. RMA agreed to analyze and seek recovery of the questioned indemnity payments.

Trade Promotion Operations in the Foreign Agricultural Service (FAS). In response to a request from three Members of Congress, OIG reviewed the extent to which USDA, through FAS' market development programs, fosters expanded trade activities in the exporting of U.S. agricultural products. OIG's audit found that FAS does not formally track its efforts to expand export trade activities or its outreach to U.S. exporters. FAS had no assurance that outreach efforts were effective in expanding U.S. agricultural exports. In addition, the 2006 National Export Strategy submitted to Congress did not present USDA's annual accomplishments for promoting the export of U.S. agricultural products or link information to USDA's Performance and Accountability Report (PAR). Further, the audit disclosed that program evaluations to assess Market Access Program effectiveness in the Philippines were not conducted by FAS according to criteria specified in the regulations. FAS generally concurred with the report's findings and recommendations.

Summer Food Service Program in California and Nevada. We reviewed four private nonprofit sponsors in California and Nevada participating in the Summer Food Service Program. We found no reportable issues in Nevada; however, in California, we found several deficiencies in three sponsors' administration of the program, including unsafe food handling and storage. The sponsors also submitted unallowable, inaccurate, and unsupported claims for reimbursement to the Food and Nutrition Service (FNS), resulting in questionable payments totaling \$53,635. FNS concurred with our recommendations and agreed to take corrective action.

Disaster Food Stamp Program (DFSP) – Hurricanes Katrina and Rita in Louisiana, Mississippi, and Texas. Our objectives were to determine if FNS adequately administered the DFSP activated in response to Hurricanes Katrina and Rita. FNS, through the participating State agencies, quickly provided nutrition assistance benefits to millions of disaster victims. However, Louisiana, Mississippi, and Texas did not have DFSP plans in place that meet all the requirements of the Food Stamp Act and the FNS handbook. The plans lacked key components including fraud prevention plans and each had control weaknesses in processing applications for DFSP benefits. Based on our recommendations, FNS agreed to: (1) finalize Federal food stamp regulations pertaining to disaster assistance to specify State agency responsibilities for developing, testing, and implementing disaster assistance programs; (2) develop and implement procedures detailing how FNS regional offices will review State DFSP plans; and (3) require FNS regional offices to review State DFSP plans in annual reviews of State agency operations.

WIC Program in Puerto Rico. We performed an audit of the Special Supplemental Nutrition Program for WIC in Puerto Rico. We found that FNS had not ensured that the State agency took appropriate corrective actions to resolve deficiencies noted in FNS reviews. These weaknesses included a lack of reconciliation of WIC food instruments and inadequate oversight of WIC vendors. We also found that the State agency had not notified vendors and participants of products prescribed to WIC participants that did not meet Federal nutritional requirements. The State agency also compromised the vendor bidding process by releasing information that allowed vendors to calculate bid prices in ways that increased food costs to the program. The State agency violated regulations by condoning the use of in-store credits, resulting in reimbursement to vendors for products that were not delivered to WIC participants. FNS agreed with our findings and recommendations.

RBS Business and Industry (B&I) Direct Loan to Lehigh Coal and Navigation Company. OIG initiated this audit in response to a hotline complaint regarding the administration of two B&I direct loans, totaling \$9 million, approved by RBS on August 31, 2001, for a coal mine property. The allegations stated that: (1) the borrower had not repaid any of the principal or interest on the loans, (2) RBS allowed the sale of collateral pledged as security for the loans, (3) RBS paid the borrower's delinquent taxes, and (4) the mine had not been reopened, and none of the 230 employees had been rehired.

We determined that, as of July 2006, the borrower only paid \$1,062,887 in principal and interest. The sale of the collateral was in accordance with Rural Development (RD) regulations. RBS paid \$1,518,218 in delinquent taxes to protect the Federal government's interest. The borrower was unable to rehire the 230 employees due to the company's financial problems. At the time of our review, the company only had 39 employees.

We concluded that RBS State officials properly invoked foreclosure proceedings in a timely manner on May 9, 2005. RBS informed the borrower that to stop the foreclosure process he had to take steps to remedy the default or pay the loan in full. Subsequent to the conclusion of our fieldwork on July 20, 2006, the borrower was able to obtain financing from outside investors. On July 25, 2006, RBS executed a forbearance agreement which ceased foreclosure proceedings and allowed the company to resume operations. We recommended that the agency ensure that first lien position and sufficient value on all corporate assets used to secure the unpaid portion of the two B&I loans is obtained. In addition, RBS should prepare an analysis that supports the borrower's repayment ability, including, at a minimum, cash flow analysis, equity position, and audited financial statements. RBS agreed with our recommendations.

Controls over Single Family Housing Funds Provided for Hurricane Relief Efforts. Our review focused on the issuance of the \$54 million in direct repair loans and grants because the agency was primarily distributing these funds at the time of our review. A key area that had not been addressed by RD and the Rural Housing Service (RHS), as well as other Federal agencies, was coordination in the delivery of housing assistance to hurricane victims. We found that other Federal agencies, such as the Federal Emergency Management Agency, the Department of Housing and Urban Development, and the Small Business Administration (SBA), had also provided emergency housing assistance to hurricane victims. We found that the absence of policies could have allowed individuals residing in the disaster area to receive overlapping housing assistance and reimbursements from RD, charitable organizations, and homeowners' insurance companies.

RHS officials also considered the act to be economic recovery legislation and, thus, adopted a policy that provided emergency funds for non-hurricane-related repairs and improvements. We found that almost 94 percent of the grant applications we reviewed (59 of 63) included over \$320,000 in repairs and improvements that were not related to hurricane damage. We also found instances in Mississippi where: (1) grant funds were used for prohibited types of repairs and improvements, (2) staff had not detected that unlicensed contractors were making repairs involving grant funds, and (3) there was no separation of duties between the loan and grant origination process and the approval process. RHS generally agreed with our recommendations. We are working with RD to resolve outstanding issues.

Controls over Single Family Housing Grants and Loans. We performed the audit at the request of Illinois RD State officials who suspected that a former employee had submitted false documentation related to paid off loans subject to subsidy recapture. RHS' Single Family Housing (SFH) Program regulations allow the agency to recapture, or recover, monies paid to homeowners in the form of housing assistance (interest credit) when that homeowner sells or transfers ownership of their home. Our audit identified three loans where the former employee provided fictitious documents to RHS' Centralized Servicing Center for use in calculating subsidy recapture. Basically, the former employee provided false documents to RHS that made it appear that the homeowner earned less equity than actually received. This caused the agency to recover less of the interest credit subsidy. These instances were in addition to three other cases found by RD officials in Illinois involving the same former employee. The six cases resulted in a loss of \$12,445 in subsidy recapture to the government. The former employee has agreed to pay back the entire amount of the loss to the government.

Lender's Origination and Servicing of a Guaranteed Loan in the State of Mississippi. This audit was requested by RD because it was concerned that the lender had disbursed approximately 50 percent of the \$5.4 million loan while the borrower failed to construct a single unit in the proposed 90-unit project. The loan was declared in default in August 2004, only 6 months after RD issued the loan note guarantee,

because (a) the project's engineer was concerned that some of the construction completed was sub-standard and would not pass inspection and (b) sufficient loan funds were not available to complete the project. Our audit concluded that the loan's default and resulting \$2.4 million loss was the direct result of the lender's failure to properly originate and service the loan. We recommended that RD recover the \$2.4 million and any subsequent payments made to the lender. We also recommended that suspension and debarment actions be initiated against the lender and its branch manager and that RD scrutinize all loan loss claims and transactions (involving the lender) to ensure that the lender is fully entitled to any loss payment made under the Section 538 Guaranteed Loan Program. RD agreed with our recommendations and has taken steps to implement the recommendations.

RD's SFH Force Placed Insurance Program. OIG received two separate hotline complaints that alleged that Proctor Financial Inc. (PFI) was collecting insurance taxes from SFH borrowers, even though PFI had obtained a tax exemption from the State of Missouri. Our audit substantiated that PFI requested and obtained a tax exemption from the State. However, we found that neither the premium rate in PFI's contract with RD nor PFI's invoices identified taxes being collected from SFH borrowers. Therefore, we made no recommendations regarding the complaints. During our review, we did disclose several additional issues. PFI had not consulted with RD officials, including agency counsel, before requesting the exemption. PFI had no authority to act on the government's behalf and request the exemption from the State of Missouri. We also found that RD officials force placed insurance coverage above the required levels, causing rural homeowners to pay millions in extra insurance premiums. In addition, PFI officials incorrectly calculated borrower premiums on force placed hazard and flood insurance resulting in overcharges of almost \$32,000. As a result of our audit, PFI officials reimbursed RD for the overcharges, and RD agreed to revise their regulations and handbooks to address the other issues identified.

Highlights of Current and Planned Investigations Work:

Hurricanes Katrina/Rita Activities. OIG/Investigations continues to work with the President's Council on Integrity and Efficiency (PCIE)/Executive Council on Integrity and Efficiency (ECIE) and DHS working groups in Washington, D.C., Mississippi, and Louisiana to coordinate efforts related to Hurricanes Katrina/Rita investigations, disaster recovery, and information sharing. Most of our cases are worked jointly with DHS/OIG and the Department of Housing and Urban Development/OIG in determining the validity of disaster claims by showing that EBT recipients had used their EBT cards in areas other than retail stores on the Gulf Coast, thus establishing fraudulent claims. To date, our investigations has yielded 18 indictments and 4 convictions in investigations related to the FSP.

Natural Disasters. OIG/Investigations will monitor FSA's and RMA's disaster relief efforts as a result of natural disasters that occurred in 2007, including drought and flooding. As part of this effort, OIG/Investigations will ensure accountability for USDA disaster assistance funds and enhanced integrity in the delivery of benefits by identifying criminal activity in the programs that OIG will pursue through investigative efforts.

Data Matching for RMA and FSA. OIG/Investigations will continue to investigate allegations of criminal activity in farm programs, including the Crop Insurance Program and the farm loan and disaster programs. We will also work very closely with our counterparts to make better use of a newly created centralized data matching tool and identify potential allegations of criminal activity through the comparison of data from FSA and RMA nationwide. Data matching will help identify suspicious patterns of activities and obtain more information on suspect producers and claims.

FNS Program Investigations. OIG/Investigations is working with State and local law enforcement entities that have a joint interest in investigating violations involving WIC/Infant formula, Child and Adult Care Feeding Programs (CACFP), and FSP. The WIC/Infant formula investigations often involve stolen infant formula that is relabeled and sold by unscrupulous wholesalers and retailers. The CACFP cases involve entities fraudulently over-reporting numbers of individuals receiving benefits at their respective facilities.

EBT/Food Stamp Program Initiatives. As part of an ongoing initiative, OIG continues to devote significant resources to monitor and investigate retailers who circumvent EBT security controls by trafficking food stamp benefits and fraudulently obtaining new equipment and/or illegally moving existing EBT machines to unauthorized locations. Additionally, OIG is creating a Link Analysis Database that will capture vital information regarding EBT trafficking investigations to identify organized fraud networks operating on a large scale throughout the country.

Selected Examples of Recent Progress – Investigations:

New Jersey School Agrees To Pay Approximately \$1.3 Million for NSLP Fraud. In October 2006, a civil settlement agreement was reached with a Lakewood charter school and the U.S. attorney's office, District of New Jersey. The school agreed not to seek reimbursement for \$895,550 in claims being held in a suspense account and agreed to pay an additional \$400,000 for losses to the NSLP, a total of \$1,295,550 altogether. From 1996 to 2000, the school had defrauded the NSLP of approximately \$1.3 million by submitting numerous false certifications to New Jersey's Bureau of Child Nutrition regarding student participation levels.

Day Care Facility Owner in Louisiana Sentenced to Federal Prison, Ordered To Pay \$617,057 in Restitution for CACFP Fraud. In November 2006, the owner of a daycare facility in Monroe, Louisiana, was sentenced in U.S. District Court, Western District of Louisiana, to 87 months in prison, ordered to pay \$617,057 in restitution, and fined \$4,700. In July 2006, after pleading guilty to two counts of mail fraud and one count of false statements, a manager of the facility had been sentenced to 60 months of probation, ordered to pay \$142,143 in restitution, and fined \$300. From December 2003 through February 2004, the owner and the manager submitted three false claims to the Louisiana Department of Education for reimbursements in connection with the CACFP.

Two Pet Product Companies Agree To Pay \$736,000 for Ineligible Receipt of Market Access Program Funds. In December 2006, two pet product companies agreed to a \$736,000 civil settlement with the U.S. attorney's office, Eastern District of Pennsylvania, after they received approximately \$600,000 in Market Access Program (MAP) funds for which they were not eligible. MAP funds are distributed by FAS to promote worldwide use and sale of agricultural products by U.S. small businesses that must meet the Small Business Administration's definitions of "small business." In this case, the companies are affiliated, and the larger company employs more than 2,300 people with yearly revenues approaching \$1 billion, thereby making the first company ineligible to receive MAP funds.

Oklahoma Man Sentenced to Prison, Ordered To Pay \$3.8 Million in Restitution for Obtaining Loans Using Falsified Documents. In January 2007, a former chief financial officer for an Okemah manufacturing company was sentenced in U.S. District Court, Northern District of Oklahoma, to 40 months of imprisonment, 60 months of supervised release, and ordered to pay \$3.8 million in restitution for obtaining RD loans using falsified documents. The individual fraudulently obtained a \$2.9 million USDA-guaranteed loan and a \$2 million line of credit loan from a bank in Stillwater, Oklahoma, as well as a loan from another bank in Nowata, Oklahoma, for \$275,000. In January 2005, USDA paid the bank in Stillwater \$1.8 million as a result of the defaulted loans.

Owner of Manhattan Grocery Store Ordered To Pay \$1.5 Million for Food Stamp Fraud. In April 2007, the owner of a Manhattan grocery store was sentenced to serve 60 months in prison, 36 months of probation, and was ordered to pay restitution of \$1.5 million for his role in discounting approximately \$3 million in food stamps for cash. OIG conducted this investigation in the late 1990s. After the owner was arrested and released on bail, he fled to the Dominican Republic. The U.S. Marshals Service obtained an extradition order, arrested the owner in the Dominican Republic, and returned him to the United States to face charges.

Oklahoma Financial Institution Agrees To Pay More Than \$1.4 Million in Civil Settlement for Inflating Interest Rates on FSA-Guaranteed Loans. In May 2007, an Oklahoma financial institution entered into a

settlement agreement with the U.S. attorney's office for the Western District of Oklahoma and agreed to pay \$1.41M. The OIG investigation revealed that, from 1995 to 2001, the financial institution charged interest rates that were not comparable for guaranteed loans versus non-guaranteed loans. It was concluded that all of the selected guaranteed loan borrowers were charged a variable rate of "prime + 3 percent," with one exception of "prime + 2 percent." However, for those loans where it could be determined how the interest rate was calculated by the financial institution, the non-guaranteed loan rates were either fixed or variable at a rate of "prime + 1 percent" or less.

Two Georgia Producers Sentenced for Crop Insurance Fraud. In August 2007, two tobacco producers, each, were sentenced in the Southern District of Georgia to 48 months of probation and fined \$80,000 after having pled guilty in March 2007 to misprision of a felony. The two producers paid a combined \$739,000 in restitution before entering their guilty pleas. One was also ordered to resign from the Georgia Tobacco Growers Association and the Flue Cured Tobacco Stabilization Board in North Carolina. The producers conspired with another individual to grow their crops in his name because the "nominee" producer had a higher production yield, which resulted in larger crop insurance payments between 2000 and 2004. In June 2006, the producers were charged with conspiracy, false statements to RMA and FSA, and money laundering. The "nominee" cooperated in the investigation and received a pretrial diversion.

Texas Businessman Sentenced for Making False Statements and Claims To Obtain USDA Commodity Contracts for Nonfat Dry Milk Valued at More Than \$1.5 Million. In November 2006, an El Paso, Texas, businessman and his company independently pled guilty to making false statements to USDA. The businessman, on behalf of his company, submitted false statements to USDA from October 2003 to November 2004 to obtain contracts to purchase over 1.5 million pounds of nonfat dry milk from the Commodity Credit Corporation (CCC) at a reduced price of \$511,686, a discount of more than \$1 million. By failing to produce the required product for human consumption, the businessman did not fulfill the contract requirements. The company falsely certified that the product was for human consumption and that it was licensed to process products for human consumption. Instead, the milk was used in the production of animal feed. In January 2007, the businessman made the first installment (\$50,000) of a \$100,000 court-ordered forfeiture. In January 2007, the businessman and his company were sentenced to 36 months of probation. Based on its claim of insolvency, the company was assessed no fine or restitution.

MANAGEMENT IMPROVEMENT INITIATIVES – Support USDA in implementing its management improvement initiatives.

To strengthen management through more efficient program operations that offer improved customer service, OIG works with USDA agencies to ensure that the following conform to the President's Management Agenda: (1) improve human capital and real property management, (2) improve financial management, (3) expand electronic government, (4) eliminate improper payments, and (5) enhance research and development criteria as it pertains to programs and agencies within USDA.

OIG will continue to investigate allegations of criminal misuse of government computers by employees, including accessing and downloading child pornography, allegations of public corruption, and procurement fraud, as well as criminal activity involving USDA-owned assets and resources (i.e., U.S. forests and grasslands) and employee corruption.

Highlights of current and planned OIG audits and investigations, as well as select examples of recent progress accomplished through OIG audits and investigations are described below:

Highlights of Current and Planned Audit Work:

Peanut Pricing for FSA Program Purposes. The audit objectives are to evaluate the processes used in gathering the peanut market price data used to establish the national posted price for marketing assistance loan repayment rates and for loan deficiency payments. In addition, we will evaluate the processes used in

determining the counter-cyclical payment rates for peanuts and determine if the established rates are based on reliable and consistent market price data.

Review of RMA's Compliance Activities. The audit will determine whether compliance activities are adequate to improve program compliance and integrity and to detect and reduce fraud, waste, and abuse.

General Sales Manager (GSM) 102 Export Credit Guarantee Program. OIG objectives are to identify and evaluate GSM-102 controls over the review, approval, and monitoring of export credit guarantees to ensure program integrity. We will also determine whether the agency is meeting its program goals, such as reducing program default rates and program administrative costs.

ARS Management Controls over Research Agreements. Our review will evaluate ARS' management controls over research agreements to ensure that research funding is used for its intended purposes, monitoring and management reviews are performed, research project milestones are timely managed, and cooperators comply with the provisions of the cooperative agreements.

Controls over Technical Service Providers. Technical service providers are individuals, private businesses, nonprofit organizations, or public agencies outside of USDA that help agricultural producers/landowners develop and implement conservation practices on the land. Our overall objective is to identify and evaluate NRCS' management controls over the technical service provider program to ensure that the program is effectively implemented and to ensure the propriety and accuracy of program payments.

FS Contracted Labor Crews. The audit will evaluate the effectiveness and efficiency of FS' use of contracted labor for firefighting crews, hazardous fuels removal, and reforestation.

Selected Examples of Recent Progress – Audit:

Hurricane Relief Initiatives – Barge Movement, Barge Unloading, Alternative Grain Storage, and Transportation Differential Agreements. Due to the urgent need to restore the movement and storage of grain in the 2005 hurricane area, the Department used ad hoc procedures to award three noncompetitive grants for alternative grain storage and barge movement projects. The Department did not effectively coordinate large grain exporters' initial requests for assistance in moving barges of grain from the hurricane area. Verbal agreements made with two grain companies lacked transparency and competition to minimize costs and ensure relief to all affected companies. The lack of adequate coordination and a formal response and recovery plan to handle such exigencies led to confusion, problems with confirming agreements reached, and some delays in implementing relief efforts.

These problems were quickly recognized, and, subsequently, FSA took action to publicize the four (barge movement, barge unloading, alternative grain storage, and transportation differential) initiatives as well as guidelines in the Federal Register for awarding competitive grants for these initiatives. We noted differences in barge and storage costs totaling \$5.6 million between the noncompetitive and competitive agreements. While the CCC Charter Act does allow CCC to award noncompetitive agreements, the Department should develop a formal response and recovery plan that would minimize costs, ensure competition, and provide timely relief.

We found that after FSA publicized and issued guidelines, FSA effectively implemented its relief efforts. In December 2005, the Secretary requested each agency to identify and act on lessons learned from the Department's response to the hurricanes. In July 2006, the Under Secretary for Farm and Foreign Agricultural Services identified the problems experienced in developing and implementing relief efforts and recommended actions to improve coordination and assign responsibility as well as . In addition to these actions, OIG recommended the Department to formalize its response and recovery plan for alleviating river and other transportation congestion after major storms or other disasters.

2005 Hurricane Initiatives: Aquaculture Grants to States. FSA's Aquaculture Grant Program (AGP) provided \$25 million in block grants to the State governments of Alabama, Florida, Louisiana, Mississippi, North Carolina, and Texas to assist producers who suffered aquaculture losses due to the 2005 hurricanes. Our review covered Alabama, Louisiana, and Mississippi, which combined, received over \$20 million or 80 percent of the funds. We found FSA needs to improve controls over the approval and distribution of AGP funds to ensure producers are equitably compensated for losses. FSA did not allocate funds to the States based on need, two States compensated producers based on criteria unrelated to the amount of the producers' actual loss, and two States' payment methodologies resulted in the inequitable treatment of producers.

FSA's response to the draft report was sufficient for us to achieve management decision for all recommendations in the report. Notably, for subsequent programs, FSA has allocated funding to States based upon their reported losses and required each State submit a work plan of how the State will implement the program, including, but not limited to, program provisions, payment calculations, and loss requirements. Moreover, the grant agreements for the most recent program require the States to conduct random reviews of the program to ensure applicants are equitably compensated for losses.

RMA's Improved Financial Management Controls Over Reinsured Companies. This audit followed up to determine if RMA had implemented the recommended financial management controls and oversight of reinsured companies after the failure of the largest participant in the Federal Crop Insurance Program. We found that RMA's Reinsurance Services Division still has not formalized and finalized the procedures it follows to conduct its operational analyses. The review also disclosed that RMA has not completed policies or instituted measures detailing what information it should routinely and directly share with individual State insurance departments, or when and how the information should be shared.

We recommended that RMA's Reinsurance Services Division formalize written procedures for its operational analyses of reinsured companies. In addition, RMA needs to continue coordination with the National Association of Insurance Commissioners and individual State insurance departments to identify what specific supplemental information still needs to be addressed among RMA and individual State insurance department regulators. RMA agreed to formalize its operational analysis procedures; however, it disagreed with the need for additional coordination and information-sharing with the National Association of Insurance Commissioners and individual State insurance departments.

Crop Bases on Lands With Conservation Easements in California. NRCS administers conservation easement programs that restore lands to their natural state (i.e., wetlands and grasslands) by purchasing easements from landowners. NRCS must inform FSA about the easements so that FSA can appropriately reduce crop bases and correctly calculate subsidy payments.

In a prior audit, we found that NRCS did not inform FSA of 17 easements, resulting in overpayments totaling \$900,743. The audit exemplified the need to improve interagency communication—identified as a major Departmental management challenge. This audit followed up and found that NRCS still was not communicating with FSA. Due to the lack of communication, FSA made improper farm subsidy payments for 36 easements. FSA also allowed an additional year of subsidy payments to two landowners due to inconsistent guidance. Together, these issues resulted in overpayments totaling \$1,385,937.

To correct these problems, we recommended that NRCS train its staff on their responsibilities to notify FSA of recorded easements. We also recommended that FSA: (1) direct the State office to remove the crop bases from the 36 easements and recover the consequent improper payments, (2) search for similar problems nationwide, and (3) take action to prevent these problems from recurring. We also asked that FSA recover the improper payments to the two landowners who received an additional year of subsidy payments. NRCS and FSA generally concurred with the reported findings and recommendations.

Review of USDA's Accountability for Actions Taken on Civil Rights Complaints. In response to a request from two U.S. Senators, we identified and evaluated the adequacy of USDA's controls over tracking and processing Equal Employment Opportunity (EEO) complaints. Our audit disclosed that, although the Office of Adjudication and Compliance's (OAC – formerly the Office of Civil Rights) processing time to complete a case has fallen from 3 years in 1997 to slightly under 1.5 years in 2006, its efforts have not been sufficient to ensure that EEO complaints are effectively tracked and processed in a timely manner. We found that material weaknesses continued to persist in OAC's control structure and environment. Specifically, OAC had not: (1) established the necessary framework to monitor the processing of complaints and intervene when established timeframes were not met, (2) sufficiently strengthened its controls over the entry and validation of data in its information system, and (3) established adequate controls to ensure case files could be located timely and the files contained the required documentation. OAC agreed with the report's recommendations.

Controls over FS Vehicle Fuel and Maintenance Costs. We determined that FS lacked adequate controls over use of fleet credit cards, and, therefore, they were unaware of approximately \$3.7 million in unsupported charges that were incurred during FYs 2004 and 2005. Although the agency relied on an automated control system known as the Purchase Card Management System (PCMS), we found several problems with how PCMS was implemented. FS employees were not using many of the controls PCMS offered, which included establishing reasonable profiles on each credit card to alert them of unusual transactions. Other controls were either not implemented or were not effective. FS agreed with the report's findings and recommendations and has already initiated corrective actions.

FS Large-Fire Suppression Costs. Our audit determined that FS managers need to renegotiate their agreements with State and local governments so that costs to protect private property in the wildland urban interface are apportioned more fairly. To accomplish this, FS needs to seek clarification from Congress as to the responsibilities of both FS and States in protecting private property in expanding wildland urban interfaces. We also determined that FS needs to expand the use of wildland fire to control costs of future fires. FS also needs to improve cost containment controls holding line officers and incident commanders more accountable. To do this FS needs to improve its cost containment reviews and conduct these reviews more frequently. FS has agreed with the report's findings and recommendations. Based upon discussions with FS during the course of the audit, FS initiated some management actions prior to the issuance of the final report.

FYs 2007 and 2006 Financial Statement Audits. The USDA Consolidated Financial Statements audit report, reclassified the USDA Special Purpose Financial Statements audit report, and the RD Financial Statement audit report were issued with qualified opinions. The qualified opinions were the result of significant revisions made to RD's credit reform processes related to the SFH cash flow model and subsidy re-estimates. CCC, FS, FNS, and RMA/Federal Crop Insurance Corporation received unqualified opinions on their FYs 2007 and 2006 financial statements.

The reports on internal control over financial reporting identified 3 and 17 significant deficiencies for the consolidated USDA and stand-alone entities, respectively. Additionally, the reports on compliance and other matters identified 3 and 8 instances of noncompliance for the consolidated USDA and stand-alone entities, respectively.

FY 2007 Federal Information Security Management Act Report. Our annual review determined the Department has improved its information technology (IT) security oversight in several areas during the fiscal year. For example, the inventory of agency systems had significantly improved. In other areas, such as the certification and accreditation C&A process, improvements were noted, but additional work is still needed. A continuing material IT control weakness exists due to the lack of an effective overall Department-wide plan.

The Department needs to coordinate with all of its agencies, determine the overall risks, prioritize those risks, and develop and implement a time-phased plan to systematically mitigate identified risks. The Department agreed with our findings.

Security and Applications Controls – RD’s Dedicated Loan Origination and Servicing System (DLOS). DLOS is used to originate and service SFH loans. As of September 30, 2006, there were over 378,000 of these loans with total outstanding principle balances of over \$13 billion. We found RD had not established an effective security program that adequately documented its security plans, risk assessments, and disaster recovery/contingency plans. RD had not conducted a thorough C&A and appropriately established interconnection security agreements for its interconnecting systems. RD generally agreed with the findings and recommendations in the report.

FSIS’ IT Security. Our review of FSIS’ IT security disclosed that FSIS had not adequately mitigated vulnerabilities, updated systems with the latest patches, and performed security scans on all required IT equipment. Also, FSIS had incorrectly reported its security status to the Department. FSIS acknowledged that problems existed. Planned corrective actions include distributing a standard image to all remote workstations which will include the latest patches. In addition, the agency is working towards getting high-speed connections for all remote users. Both of these initiatives will help to strengthen IT security, but additional actions are needed.

We recommended that FSIS: (1) conduct security scans on all network devices monthly and timely mitigate all identified vulnerabilities, (2) develop and implement procedures requiring remote users to log onto the network periodically for a specified amount of time so the software on the workstations can be adequately updated, (3) develop and implement procedures for updating systems with the latest patches, and (4) develop and implement procedures to ensure that information provided to the Department is accurate and adequately supported.

IT – Lost or Stolen Computer Items Containing Sensitive Information. We reviewed USDA controls over stolen computer equipment for FSA, NRCS, and RD at the Information Technology Services (ITS) field sites. We found that controls over stolen computer equipment were lacking in FSA, NRCS, RD, and ITS. Specifically, we found that Privacy Act/sensitive information was stored on computers that were stolen. In addition, the agencies did not notify the individuals whose information may have been compromised. These agencies lacked policies and procedures to adequately notify proper authorities and affected parties when thefts of computer equipment occurred. Prior to a June 23, 2006, the Office of Management and Budget (OMB) memorandum requiring improved security over sensitive information, the Office of the Chief Information Officer (OCIO) had provided agencies limited guidance on actions to take if computers were lost or stolen. OCIO did provide additional direction to the agencies after the OMB issuance, but the guidance still was not specific on procedures to determine whether personally identifiable information (PII) was contained on the computers. As a result, PII of USDA customers and employees may have been lost and is at risk for improper use.

We recommended that: (1) FSA, NRCS, RD, and ITS encrypt the entire hard drive and removable media on all desktops and laptops to ensure that Privacy Act/sensitive information is not compromised due to stolen or lost equipment and that mobile computing devices be physically secured, (2) FSA, NRCS, RD, and ITS develop effective policies and procedures to notify OCIO, OIG, and potential affected parties when equipment is stolen and/or lost, and (3) OCIO implement Department-wide guidance regarding tracking and reporting requirements for computer equipment that is stolen or lost.

Improper Payments – Monitoring the Progress of Corrective Actions for High Risk Programs in FS. We reviewed FS’ actions to quantify the extent of improper payments in the Wildland Fire Suppression Program (WFSU) and to evaluate efforts by FS to eliminate improper payments in this program. We concluded that FS lacked the controls necessary to ensure that both the improper payment reviews it performed on WFSU and the risk assessments it performed on its remaining programs met OMB

requirements. Due to this lack of control, FS incorrectly estimated the error rate and improper payment amount for WFSU and three of its other programs. FS also lacked statistical sampling plans for its improper payment reviews and had no plans to recover the erroneous payments identified during these reviews. As a result, FS could not provide a reasonable estimate of improper payments for its high-risk programs as required by OMB. FS officials concurred with all of our findings and recommendations.

Improper Payments – Monitoring the Progress of Corrective Actions for High Risk Programs in RHS. We audited RHS' efforts to identify improper payments and implement corrective actions for the Section 521 Rental Assistance (RA) Program. We found RHS officials did not accurately estimate FY 2005 improper payments and did not fully implement or monitor the effectiveness of corrective actions to reduce improper payments. RHS did not have adequate controls over these processes to ensure that its annual estimate of improper payments was accurate and representative of the RA Program. We found that RHS officials did not base their estimate for improper RA payments in FY 2005 on a valid statistical sample. In addition, the methodology used to calculate an annual improper payment amount for the sampled units was not representative of all payments for the year. As a result, we issued a management alert in April 2006 in order to avoid further miscalculations for FY 2006.

For corrective action, we recommended RHS officials revise the statistical sampling methodology to ensure the results are a valid statistical estimate of improper payments in the RA Program and establish internal controls to provide reasonable assurance that the statistical sampling process conforms to OMB requirements. Also, we recommend RHS officials monitor the implementation of planned corrective actions. Finally, RHS officials should re-determine the amount of improper rental assistance recovered in 2005 to ensure the amount reported in the PAR includes only rental assistance payments, and the period of time represented is accurate. RHS officials generally agreed with the findings and recommendations contained in the report.

Improper Payments – Monitoring the Progress of Corrective Actions for High-Risk Programs in FSA. We audited FSA's efforts to identify improper payments and its corrective actions for the agency's three high-risk programs – the Marketing Assistance Loan Program, the Loan Deficiency Payment Program, and the Milk Income Loss Contract (MILC) Program. We concluded that FSA personnel, through their contractor, did not properly determine the FY 2004 improper payment estimates for the three high-risk programs. For instance, we found that the universe for the MILC program's statistical sample did not include all possible payments. Additionally, in all three programs, not all selected payments were reviewed, statistical calculations did not account for payment variables, results were questionable because of missing or incomplete supporting documents, and the criteria to determine an improper payment was drastically reduced. We attribute these conditions to FSA officials who did not provide sufficient monitoring of the contractor's staff. As a result, agency officials reported an inaccurate and unsupported improper payment amount of \$50.2 million in the FY 2005 PAR. FSA generally agreed with the findings and recommendations in the report and outlined the steps that it will take for completing corrective actions.

Acquisition Planning and Processing. The audit objectives were to evaluate the Office of Procurement and Property Management's (OPPM) oversight of USDA's component agency acquisition planning and processing. USDA had designed and implemented the Integrated Acquisition System to provide a single enterprise-wide acquisition system; however, it did not provide control over all areas and by itself could not ensure that all control objectives of the acquisition process were met. OPPM needed to develop and implement procedures to ensure that component agencies comply with established acquisition requirements. OPPM concurred with the findings and recommendations.

Review of Contract Administration at NRCS. We evaluated NRCS' administration of its procurement activity to determine whether it was conducted in accordance with Federal, Departmental, and agency regulations. We found that NRCS' procurement activities were conducted in accordance with Federal and Departmental regulations. However, we concluded that NRCS' system of internal controls for

administering its procurement activities needed to be strengthened. Specifically, NRCS did not perform planned oversight reviews to ensure procurement activities were administered properly. We recommended that NRCS develop and implement control techniques to ensure performance of procurement oversight reviews and resolve identified deficiencies. NRCS agreed with the recommendations.

Highlights of Current and Planned Investigations Work:

OIG's National Computer Forensics Division. OIG's National Computer Forensics Division (NCFD) is now recognized within USDA as a leader and trusted resource in the area of computer forensics. As an authority in the investigation and analysis of network intrusions and attacks on USDA networks, NCFD ensures that a thorough and accurate analysis of any network compromise is accomplished by analyzing compromised servers, firewall logs, Intrusion Detection System (IDS) logs, and Internet protocol traffic logs. NCFD continues to provide support, training, and advice on evidence collection and analysis to USDA agencies.

OIG's use of NCFD has risen steadily over the last few years because of increases in the types of cases. Some types of cases we anticipate working in the future are the analysis of multiple-site, networked, and stand-alone workstations seized during investigations of animal cruelty, farm program fraud, and food stamp fraud. We have also seen a continued increase in the number of requests to acquire and analyze various e-mail systems to discover and provide documentation on past communication between subjects involved in either employee misconduct or other criminal activities.

Participation on PCIE IT Investigations Sub Committee. The PCIE IT Round Table established the Digital Forensic Working Group, consisting of 19 PCIE and Executive Council on Integrity and Efficiency agencies, including the U.S. Department of Justice's (DOJ) Computer Crime and Intellectual Property Section. In October 2006, the working group was convened to establish Computer Forensic Standards for the OIG community, similar to the Government Auditing Standards and the Investigative Standards for GS-1811s. The group determined that the best way to establish these standards was to incorporate them in the Quality Assurance Review (QAR) process and developed questions for the QAR consistent with the Quality Standards for Investigations, which are specific to computer forensics. The Director of OIG's NCFD participated in the development of questions for the QAR. NCFD has also provided copies of its policies and procedures to members of the round table as examples for OIG forensic units that are developing policies and procedures for their labs. The subcommittee has completed work on the Computer Forensic QAR questions and has presented them to the investigative committee for approval.

Participation in Regional Procurement Fraud Task Forces. USDA's OIG is a member of the National Procurement Fraud Task Force, formed by DOJ in October 2006 as a partnership among Federal agencies charged with the investigation and prosecution of illegal acts in connection with government contracting and grant activities. The task force has worked to better allocate resources and improve coordination in procurement and grant fraud cases and otherwise accelerate investigations and prosecutions. OIG investigators in the Northeast Region are participating in a multi-agency investigation involving surety bond fraud. Surety bonds are one of the requirements necessary to obtain a government contract.

Selected Examples of Recent Progress – Investigations:

Computer Forensic Investigations. In 2006, NCFD participated in an investigation of a compromised DA server containing PII for approximately 26,000 employees in Headquarters. During the forensic examination, it was determined that hackers setting up rogue file transfer protocol sites on the DA servers had compromised the two servers multiple times. We were able to determine that even though the DA servers were compromised, the database containing PII had not been compromised or transferred off of the DA computers. During the investigation, NCFD discovered issues involving IDS sensor placement, signature configuration, and event logging. NCFD also encountered log retention issues involving the

company contracted to monitor our network security. NCFD staff is currently working with OIG/Audit and OCIO to identify and remedy the issues encountered.

NCFD forensically imaged and analyzed the hard drives of eight computers in the Geographic Information Systems lab of the FSA Indiana State Office for evidence that the software was copied utilizing one of the FSA computers. Evidence of software reproduction and copying was recovered and documented during NCFD forensic analysis and was utilized in negotiating a guilty plea.

During the past year, NCFD provided onsite search warrant assistance for 12 warrants and analysis for 33 cases involving criminal activity, employee misconduct, and network intrusions resulting in 7,500 Gigabytes or 7.5 Terabytes of evidence.

New Mexico Man Convicted of Attempted Bribery of Colorado FS Employee. In July 2007, a man was sentenced in the District of New Mexico to serve 36 months in prison, followed by 36 months of probation for attempted bribery. The man offered a bribe to an FS employee in Colorado if the employee would alter his official engineering report to show that a ski lift in New Mexico was in need of replacement, even though it was structurally sound. The man was attempting to obtain a \$200,000 to \$400,000 finder's fee from a ski lift company to build a new multimillion-dollar ski lift. The man offered money, a car, and the use of his upscale home if the employee would change his official engineering report.

Man Sentenced for Manufacturing/Possession of Counterfeit USDA Identification Documents. In May 2007, an Illinois man was sentenced in Federal court to serve 60 months in prison, followed by 60 months of supervised release, and ordered to pay \$26,129 in restitution for possession of counterfeit government identification badges. He had been arrested by the Cairo, Illinois, Police Department in September 2005 and found to possess hundreds of counterfeit identification cards, including two APHIS Veterinary Service photo identification cards. The Cairo Police Department also found an identification-making machine and related paraphernalia. This investigation was conducted jointly with the FBI.

Former FS Employee Sentenced to Prison for Intentionally Setting Wildfires. In June 2007, a former FS employee of 34 years, who served as a Fire Management Officer assigned to the Mogollon Ranger District on the Coconino National Forest in Arizona, was sentenced in Federal court to serve 24 months in prison, followed by 36 months of supervised release, fined \$5,000, and ordered to pay \$10,390 in restitution. The former employee, who had also participated in the recovery efforts with the New York Fire Department following the attacks on the World Trade Center in New York City on September 11, 2001, was responsible for setting several wildfires on National Forest System lands. The employee confessed to starting two wildfires in 2004 (the Mother Fire and the Boondock Fire), both located in the Coconino National Forest. He voluntarily retired in December 2005.

Longtime RD Employee Sentenced for Embezzlement. In August 2007, a former USDA employee with 25 years of Federal service with RD was sentenced in the Western District of Missouri to serve 24 months in prison, followed by 36 months of supervised release, and ordered to pay \$160,484 in restitution for embezzlement. The former employee also was ordered to apply her \$42,424 in retirement account funds and \$6,061 in earned leave toward restitution. The investigation revealed that, while employed as a Community Development Technician, the former employee created fictitious loan files and grant applications. In addition, the former employee forged signatures on loan documents to divert approximately \$240,000 for her personal use.

NATURAL RESOURCES – Increase the efficiency and effectiveness with which USDA manages and exercises stewardship over natural resources.

The administration of national forests and grasslands, including the restoration and health of the watershed and sustainable forest ecosystem management, is a major concern. USDA conservation activities on public and private lands are through cooperative efforts with State, Tribal, and local governments, as well as

conservation districts, non-governmental organizations, private-land managers, and local interests. Our goal is to work with USDA agencies to maintain healthy watersheds, high quality soils, and sustainable ecosystems to enhance soil quality to maintain productive working croplands and to protect forests and grasslands and enhance the wildlife habitat these areas foster.

Highlights of current and planned OIG audits, inspections, and investigations, as well as select examples of recent progress accomplished through OIG audits and investigations are described below:

Highlights of Current and Planned Audit Work:

Conservation Security Program. The Conservation Security Program (CSP) represents one of the Federal government's latest environmental improvement programs. CSP is a voluntary conservation program administered by NRCS, using the authorities and funds of CCC. Our objective is to determine whether NRCS has implemented appropriate controls over policies and procedures for compliance with legislative requirements.

Effectiveness of Status Review Process in Assessing Producer Compliance with Conservation Program. The Food Security Act of 1985 introduced three conservation provisions to address environmental problems associated with highly erodible land and wetlands. Under the act, farmers were required to apply conservation systems to control soil loss or preserve wetlands on these lands or risk losing USDA program benefits. Our audit objective is to: (1) follow up on prior audit findings and recommendations in this area and (2) evaluate the effectiveness of current status review procedures and operations in assessing and reporting producer compliance with the highly erodible land conservation and wetland conservation provisions.

FS – Logging Projects in the Giant Sequoia National Monument. Our audit objective is to determine if FS land management activities in the Giant Sequoia National Monument have been conducted according to law and regulation.

FS Invasive Species Program. Our audit objective is to evaluate the efficiency and effectiveness of FS' Invasive Species Program.

Selected Examples of Recent Progress – Audit:

Environmental Protection Agency (EPA) and USDA/OIG Joint Review – Saving the Chesapeake Bay Watershed Requires Better Coordination of Environmental and Agricultural Resources. The audit was the result of a joint review conducted by the OIGs of EPA and USDA. The audit concentrated on the agricultural best management practices used to address nonpoint nutrient and sediment loading into the Chesapeake Bay watershed. We found that EPA must improve its coordination and collaboration with its bay partners and the agricultural community to better reduce nutrients and sediment entering the Chesapeake Bay watershed. USDA, a bay partner at the Federal level, could significantly assist EPA in implementing the needed conservation practices within the agricultural community. However, USDA has not coordinated a Department-wide strategy or policy to address its commitment as a bay partner.

We recommended that USDA assign a senior level official to coordinate with EPA's Chesapeake Bay Program, delegate to that senior level official authority to direct and coordinate goals and programs across USDA mission areas and agencies, review the feasibility of targeting USDA funds geographically, and direct agencies to expedite the development and implementation of outcome-based performance measurements for evaluating the effectiveness of their conservation efforts and programs. USDA concurred with the recommendations and has moved expeditiously to implement them.

Implementation of the FS Capital Improvement Program. The audit objectives were to evaluate FS' controls over: (1) the sale of excess real property and (2) the use of the proceeds to complete capital

improvements and reduce the agency's deferred maintenance backlog. Congress authorized FS to sell surplus properties and apply the proceeds to its maintenance backlog (\$462.5 million as of September 2004). Our audit determined that during the first years of the program, FS' expectations of the program's accomplishments were significantly overstated. Its process for identifying excess properties was inefficient and could not ensure that all such properties were identified and nominated for the program. We also found that FS needed to evaluate its marketing practices to identify those procedures that will obtain the best prices for its property. FS agreed with the report's findings and recommendations. FS has already initiated corrective actions.

FS Stewardship Contracts. The audit addressed FS stewardship contracts which allow FS to trade goods for services. We determined that, overall, FS had sufficient controls for valuing services rendered and for using appropriated dollars. We also determined that its monitoring was adequate. However, we found that Region 5 implemented an alternate appraisal method in October 2005 that underestimated timber values for its stewardship contracts by \$467,326. We recommended that FS ensure that all regions using alternate appraisal methods have calculation models that are consistent with FS' Timber Sale Preparation Handbook. FS agreed with our recommendation and is implementing steps to address the recommendation.

WORKFORCE – Strive for a highly qualified diverse workforce with the tools and training necessary to continuously enhance OIG's ability to fulfill its mission and communicate its accomplishments.

OIG has recently developed and distributed its second strategic plan that ensures that we can continue to help the Department address the many challenges that will arise through fiscal year 2012. This is a new goal that is included in that plan. OIG's priority is maintaining and training the most qualified workforce so that we can fulfill our statutory responsibilities. Since OIG salaries and expenses account for a significant part of our budget, we have developed strategies to achieve our goal. These strategies will help OIG to continue to meet its objective of providing policy direction, supervision, and coordination of audits and investigations relating to USDA programs and operations.

OIG will strive to:

- Hire, train, develop, motivate, and effectively manage a high-performing and diverse front-line, supervisory, and executive workforce with the technical and workplace skills necessary to meet OIG's strategic goals and annual plans.
- Continuously acquire and deploy state-of-the-art technology, equipment, and other physical resources necessary to enable OIG to meet its strategic goals and annual plans.
- Enhance internal OIG communication so that all staff understand OIG's priorities and the contribution their work makes toward fulfilling OIG's mission.
- Provide timely and reliable legal and management advice, reports, and services to support the effective functioning of all OIG components.
- Support the integrity of OIG operations by maintaining an effective quality assurance and internal review program.
- Effectively communicate the outcome of our work to Congress, agency management officials, the press, and members of the public.

Means and Strategies

Audit. OIG maintains an ongoing liaison with agency officials, key congressional committees, U.S. attorney's offices, and central guidance agencies (such as the Government Accountability Office and OMB) to help identify areas that may require audit attention. OIG senior audit managers convene semiannually to develop OIG's annual plan of operations and continually reassess and modify the plan.

OIG expects, during FY 2009, that it will initiate and complete approximately 75 percent of planned audits and obtain management concurrence and implementation on 85 percent of audit recommendations within 1 year.

Investigations. OIG senior investigative managers identify program areas where they expect to concentrate investigative resources, but immediately adapt to emerging situations, particularly when potentially dangerous situations arise involving the safety and security of the food supply or other health and safety matters. For example, in FY 2005, Hurricanes Katrina and Rita caused OIG to redirect some investigative resources for several ongoing investigations of government benefit fraud stemming from these disasters. In addition, in FY 2007, the tragic deaths of four firefighters involved in the fighting of the Esperanza wildfire caused OIG to redirect investigative resources. OIG senior investigative managers also capitalize on the expertise of NCFD to provide assistance in evidence collection and identify usable data that is essential to OIG's investigations.

Inspections and Research. The Office of Inspections and Research is responsible for conducting inspections of USDA's programs and operations, providing technical and scientific advice to Audit and Investigations, and conducting research and analyses addressing areas of interest to OIG and USDA, including best practice studies and other projects involving data analysis. Emphasis is placed on the use of empirical information, research techniques, and other data-mining methodologies.

OFFICE OF INSPECTOR GENERAL

Summary of Budget and Performance
Statement of Goals and Objectives

OIG has five goals and objectives that contribute to the strategic goals of the Department.

USDA Strategic Goal	OIG Strategic Goal	OIG Objectives	Programs that Contribute	Key Outcome
USDA Strategic Goal 1: Enhance International Competitiveness of American Agriculture. USDA Strategic Goal 2: Enhance the Competitiveness and Sustainability of Rural and Farm Economies. USDA Strategic Goal 4: Enhance Protection and Safety of the Nation's Agriculture and Food Supply.	OIG Goal 1: Strengthen USDA's ability to implement safety and security measures to protect the public health as well as agricultural and Departmental resources.	<u>Objective 1:</u> Continuously monitor and assess risks in USDA programs and operations to identify those that are critical to the achievement of our goals. <u>Objective 2:</u> Target resources to address those critical risks.	Audit/ Investigations/ Inspections	<u>Key Outcome 1:</u> Definition of criteria to establish priorities in terms of dollars; level of Congressional, Departmental, or public interest; risk factors; or other concerns.

USDA Strategic Goal	OIG Strategic Goal	OIG Objectives	Programs that Contribute	Key Outcome
<p>USDA Strategic Goal 3: Support Increased Economic Opportunities and Improved Quality of Life in Rural America.</p> <p>USDA Strategic Goal 5: Improve the Nation's Nutrition and Health.</p>	OIG Goal #2: Reduce program vulnerabilities and strengthen program integrity in the delivery of benefits to program participants.	<p><u>Objective 1:</u> Continuously monitor and assess risks in USDA programs and operations to identify those that are critical to the achievement of our goals.</p> <p><u>Objective 2:</u> Target resources to address those critical risks.</p>	Audit/ Investigations	<p><u>Key Outcome 2:</u> Evaluation of: (1) the results of peer reviews and quality assurance and internal reviews, (2) the public perception of OIG's effectiveness via media exposure, and (3) the findings of benchmark studies of our accomplishments in comparison to the IG community, in order to assess OIG's progress in achieving its goals.</p>
Management Initiatives	OIG Goal #3: Support USDA in implementing its management improvement initiatives.	<u>Objective 3:</u> Increase quality and frequency of communication and information sharing with USDA agencies and other organizations.	Audit/ Investigations/ Inspections	<p><u>Key Outcome 3:</u> Establishment of prevention and detection methods to reduce program losses through trend analysis.</p> <p>Continuous evaluation of our technological and physical resources to aid USDA in facing new technology-based and information security challenges.</p>

USDA Strategic Goal	OIG Strategic Goal	OIG Objectives	Programs that Contribute	Key Outcome
USDA Strategic Goal 6: Protect and Enhance the Nation's Natural Resource Base and Environment.	OIG Goal #4: Increase the efficiency and effectiveness with which USDA manages and exercises stewardship over natural resources.	<p><u>Objective 1:</u> Continuously monitor and assess risks in USDA programs and operations to identify those that are critical to the achievement of our goals.</p> <p><u>Objective 2:</u> Target resources to address those critical risks.</p>	Audit/ Investigations/ Inspections	<u>Key Outcome 4:</u> Development of self-assessments and other tools for USDA agencies to identify fraud, waste, and abuse in internal and program operations.
Management Initiatives	OIG Goal #5: Strive for a highly qualified diverse workforce with the tools and training necessary to continuously enhance OIG's ability to fulfill its mission and communicate its accomplishments.	<u>Objective 3:</u> Increase quality and frequency of communication and information sharing with USDA agencies and other organizations.	Management/ Counsel/ Audit/ Investigations/ Inspections	<p><u>Key Outcome 5:</u> Utilization of self-assessment tools, such as surveys, to continually measure the impact of our human capital efforts and organizational progress.</p> <p>Achievement of human capital development goals by improving our recruitment, hiring, and training of a diversified skilled workforce.</p>

OFFICE OF INSPECTOR GENERAL

Strategic Objective 1: Continuously monitor and assess risks in USDA programs and operations to identify those that are critical to the achievement of our goals.

Strategic Objective 2: Target resources to address those critical risks.

Strategic Objective 3: Increase quality and frequency of communication and information sharing with USDA agencies and other organizations.

Strategic Objective and Funding Matrix
(Dollars in Thousands)

<u>Program</u>	<u>2007 Actual</u>		<u>2008 Estimated</u>		Increase Or Decrease	<u>2009 Estimated</u>	
	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>		<u>Amount</u>	<u>Staff Years</u>
Audit	\$38,882	329	\$38,951	336	\$3,074	\$42,025	336
Investigations	40,468	259	40,541	264	3,200	43,741	264
Total	79,350	588	79,492	600	6,274	85,766	600

Selected Accomplishments Expected at the FY 2009 Proposed Resource Level:

Annually, OIG identifies the most significant USDA programs for audit and allocates resources to these areas. During FYs 2008 and 2009, OIG will use its audit resources to evaluate how well the Department has accomplished its strategic goals and objectives. OIG will also use its audit resources to determine how well the Department has implemented the initiatives in the President's Management Agenda.

OIG's proposed current and planned audits/investigations for 2009 are contained in the Status of Programs summary. A sampling of what OIG expects to accomplish includes reviewing: the strategy for pandemic influenza; agricultural inspection activities; hurricanes Katrina and Rita recovery efforts; crop insurance, deficiency, and indemnity payments investigations; and Food and Nutrition Service program investigations.

OFFICE OF INSPECTOR GENERAL

Summary of Budget and Performance
Key Performance Outcomes and Measures

OIG Goals.

- Strategic Goal 1: Strengthen USDA's ability to implement safety and security measures to protect the public health as well as agricultural and Departmental resources.
- Strategic Goal 2: Reduce program vulnerabilities and strengthen program integrity in the delivery of benefits to program participants.
- Strategic Goal 3: Support USDA in implementing its management improvement initiatives.
- Strategic Goal 4: Increase the efficiency and effectiveness with which USDA manages and exercises stewardship over natural resources.
- Strategic Goal 5: Strive for a highly qualified diverse workforce with the tools and training to continuously enhance OIG's ability to fulfill its mission and communicate its accomplishments.

Key Outcomes:

- Definition of criteria to establish priorities in terms of dollars; level of Congressional, Departmental, or public interest; risk factors; or other concerns.
- Establishment of prevention and detection methods to reduce program losses through trend analysis.
- Development of self-assessments and other tools for USDA agencies to identify fraud, waste, and abuse in internal and program operations.
- Utilization of self-assessment tools, such as surveys, to continually measure the impact of our human capital efforts and organizational progress.
- Continuous evaluation of our technological and physical resources to aid USDA in facing new technology-based and information security challenges.
- Evaluation of: (1) the results of peer reviews and quality assurance and internal reviews, (2) the public perception of OIG's effectiveness via the media exposure, and (3) the findings of benchmark studies of our accomplishments in comparison to the IG community, in order to assess OIG's progress in achieving its goals.
- Achievement of human capital development goals by improving our recruitment, hiring, and training of a diversified skilled workforce.

Long-term Performance Measures: OIG focuses on the most important issues that face USDA. Through coordinated audits, investigations, and other reviews, OIG addresses the areas of highest risk and provides insight and support to USDA program agencies. Our concerted efforts focus heavily on prevention, including reviewing controls and advising Departmental officials of recommended improvements needed in agency programs and operations. To determine how we are doing and where we go next, we will continue to meet periodically with stakeholders, particularly USDA management officials, U.S. attorneys, and Congressional representatives and staff to obtain feedback on our work. However, our work follows several stages of decision-making and implementation in order to ultimately influence change. These stages are:

- Are we doing the most important work?
- Are our recommendations and actions encouraging response?
- Has the response to our work been implemented?
- Has the response had the desired improvement effect?
- How does this improvement manifest itself as progress toward OIG's and USDA's goals?

Key Performance Measures:

Performance Measure 1: Percentage of OIG direct resources dedicated to critical-risk or high-impact activities.

Performance Measure 2: Percentage of audit or inspection recommendations where management decisions are achieved within 1 year of report issuance.

Performance Measure 3: Percentage of audits initiated where the findings and recommendations are presented to the auditee within established timeframes.

Performance Measure 4: Percentage of inspections delivered within timeframes agreed to with relevant stakeholders.

Performance Measure 5: Percentage of closed investigations that resulted in a referral for action to the Department of Justice, State/local law enforcement officials, or relevant administrative authority.

Performance Measure 6: Percentage of closed investigations that resulted in an indictment, conviction, civil suit or settlement, judgment, administrative action, or monetary results.

Performance Measure 7: High or steady increasing satisfaction rates reported in staff surveys, including the biannual Organizational Assessment Survey.

Key Performance Measures and Targets:

Performance Measure	2004 Actual	2005 Actual	2006 Actual	2007 Actual	2008 Target	2009 Target
Performance Measure No. 1 Percentage of OIG direct resources dedicated to critical-risk or high-impact activities.	93%	92%	91%	92%	90%	90%
Performance Measure No. 2 Percentage of audit or inspection recommendations where management decisions are achieved within 1 year of report issuance.	79%	87%	94%	85%	85%	85%
Performance Measure No. 3 Percentage of audits initiated where the findings and recommendations are presented to the auditee within established timeframe.					See Note*	

Performance Measure	2004 Actual	2005 Actual	2006 Actual	2007 Actual	2008 Target	2009 Target
Performance Measure No. 5 Percentage of closed investigations that resulted in a referral of action to the Department of Justice, State/local enforcement officials, or relevant administrative authority.					See Note*	
Performance Measure No. 6 Percentage of cases where criminal, civil, or administrative action is taken in response to investigative reports.	68%	68%	59%	68%	65%	65%
Performance Measure No. 7 Percentage of closed investigations that resulted in a referral of action to the Department of Justice, State/local enforcement officials, or relevant administrative authority.					See Note*	

*These are planned performance measures discussed in OIG's FY 2007-2012 Strategic Plan. The measures will be refined and targets set in the annual plan preparation process.

OFFICE OF INSPECTOR GENERAL

Summary of Budget and PerformanceFull Cost by Strategic Goal

(Dollars in thousands unless noted)

Program Items	2007 <u>Amount</u>	2008 <u>Amount</u>	2009 <u>Amount</u>
Goal 1: Strengthen USDA's ability to implement safety and security measures to protect the public health as well as agricultural and Departmental resources.			
Audit	\$2,644	\$5,064	\$5,463
Investigations	<u>6,070</u>	<u>6,081</u>	<u>6,561</u>
Total – Goal 1	8,714	11,145	12,024
Performance Measures – Audit/Investigations			
Number of Audits That Fall Under Goal 1	6	12	12
Number of Days Charged	2,972	5,542	5,823
Auditor Cost Per Day (\$)	\$890	\$914	\$938
Dollar Expenditure for Goal 1	\$2,644	\$5,064	\$5,463
Number of Investigations That Fall Under Goal 1	30	60	60
Number of Days Charged	3,045	2,970	3,120
Investigator Cost Per Day (\$)	\$1,994	\$2,048	\$2,103
Dollar Expenditure for Goal 1	\$6,070	\$6,081	\$6,561
Performance Measures: (*)			
(1) Percentage of OIG direct resources dedicated to critical-risk or high-impact activities.	92%	90%	90%
(2) Percentage of audit or inspection recommendations where management decisions are achieved within 1 year of report issuance.	85%	85%	85%
(3) Percentage of audit initiated where the findings and recommendations are presented to the auditee within established timeframes. (**)	See Note**		
(4) Percentage of inspections delivered within timeframes agreed to with relevant stakeholders. (**)	See Note**		
(5) Percentage of closed investigations that resulted in a referral for action to the Department of Justice, State/local law enforcement officials, or relevant administrative authority. (**)	See Note**		
(6) Percentage of closed investigations that resulted in an indictment, conviction, civil suit or settlement, judgment, administrative action, or monetary result.	68%	65%	65%

(*) Results for the 17 percent of our resources dedicated to Goal 1. Total audit reports and investigations conducted encompass the first 6 months of FY 2007.

(**) These are planned performance measures discussed in OIG's FY 2007-2012 Strategic Plan. The measures will be refined and targets set in the annual plan preparation process.

Program Items	2007 <u>Amount*</u>	2008 <u>Amount</u>	2009 <u>Amount</u>
Goal 2: Reduce program vulnerabilities and strengthen program integrity in the delivery of benefits to program participants.			
Audit	\$15,008	\$13,243	\$14,289
Investigations	<u>26,304</u>	<u>26,352</u>	<u>28,432</u>
Total – Goal 2	41,313	39,596	42,721
Performance Measures – Audit/Investigations			
Number of Audits That Fall Under Goal 2	19	30	30
Number of Days Charged	17,046	14,496	15,229
Auditor Cost Per Day (\$)	\$890	\$914	\$938
Dollar Expenditures for Goal 2	\$15,164	\$13,243	\$14,289
Number of Investigations That Fall Under Goal 2	51	100	100
Number of Days Charged	13,193	12,869	13,520
Investigator Cost Per day (\$)	\$1,994	\$2,048	\$2,103
Dollar Expenditures for Goal 2	\$26,304	\$26,352	\$28,432
Performance Measures: (*)			
(1) Percentage of OIG direct resources dedicated to critical-risk or high-impact activities.	92%	90%	90%
(2) Percentage of audit or inspection recommendations where management decisions are achieved within 1 year of report issuance.	85%	85%	85%
(3) Percentage of audit initiated where the findings and recommendations are presented to the auditee within established timeframes. (**)	See Note**		
(4) Percentage of inspections delivered within timeframes agreed to with relevant stakeholders. (**)	See Note**		
(5) Percentage of closed investigations that resulted in a referral for action to the Department of Justice, State/local law enforcement officials, or relevant administrative authority. (**)	See Note**		
(6) Percentage of closed investigations that resulted in an indictment, conviction, civil suit or settlement, judgment, administrative action, or monetary result.	77%	68%	65%

(*) Results for the 17 percent of our resources dedicated to Goal 2. Total audit reports and investigations conducted encompass the first 6 months of FY 2007.

(**) These are planned performance measures discussed in OIG's FY 2007-2012 Strategic Plan. The measures will be refined and targets set in the annual plan preparation process.

Program Items	2007 <u>Amount</u>	2008 <u>Amount</u>	2009 <u>Amount</u>
Goal 3: Support USDA in implementing its management improvement initiatives.			
Audit	\$21,230	\$17,528	\$18,911
Investigations	<u>7,689</u>	<u>7,703</u>	<u>8,311</u>
Total - Goal 3	28,918	25,231	27,222
Performance Measures – Audit/Investigations			
Number of Audits That Fall Under Goal 3	22	40	40
Number of Days Charged	24,039	19,186	20,155
Auditor Cost Per Day (\$)	\$890	\$914	\$938
Dollar Expenditures for Goal 3	\$21,385	\$17,528	\$18,911
Number of Investigations That Fall Under Goal 3	43	80	75
Number of Days Charged	3,856	3,762	3,952
Investigator Cost per Day (\$)	\$1,994	\$2,048	\$2,103
Dollar Expenditures for Goal 3	\$7,689	\$7,703	\$8,311
(1) Percentage of OIG direct resources dedicated to critical-risk or high-impact activities.	92%	90%	90%
(2) Percentage of audit or inspection recommendations where management decisions are achieved within 1 year of report issuance.	85%	85%	85%
(3) Percentage of audit initiated where the findings and recommendations are presented to the auditee within established timeframes. (**)	See Note**		
(4) Percentage of inspections delivered within timeframes agreed to with relevant stakeholders. (**)	See Note**		
(5) Percentage of closed investigations that resulted in a referral for action to the Department of Justice, State/local law enforcement officials, or relevant administrative authority. (**)	See Note**		
(6) Percentage of closed investigations that resulted in an indictment, conviction, civil suit or settlement, judgment, administrative action, or monetary result.	68%	65%	65%

(*) Results for the 17 percent of our resources dedicated to Goal 3. Total audit reports and investigations conducted encompass the first 6 months of FY 2007.

(**) These are planned performance measures discussed in OIG's FY 2007-2012 Strategic Plan. The measures will be refined and targets set in the annual plan preparation process.

Program Items	2007 <u>Amount</u>	2008 <u>Amount</u>	2009 <u>Amount</u>
Goal 4: Increase the efficiency and effectiveness with which USDA manages and exercises stewardship over natural resources.			
Audit	\$0	\$3,116	\$3,362
Investigations	<u>405</u>	<u>405</u>	<u>437</u>
Total - Goal 4	405	3,521	3,799
Performance Measures – Audit/Investigations			
Number of Audits That Fall Under Goal 4	0	7	7
Number of Days Charged	0	3,411	3,583
Auditor Cost Per Day (\$)	\$890	\$914	\$938
Dollar Expenditures for Goal 4	\$0	\$3,116	\$3,362
Number of Investigations That Fall Under Goal 4	2	3	3
Number of Days Charged	203	198	208
Investigator Cost per Day (\$)	\$1,994	\$2,048	\$2,103
Dollar Expenditures for Goal 4	\$405	\$405	\$437
(1) Percentage of OIG direct resources dedicated to critical-risk or high-impact activities.	92%	90%	90%
(2) Percentage of audit or inspection recommendations where management decisions are achieved within 1 year of report issuance.	85%	85%	85%
(3) Percentage of audit initiated where the findings and recommendations are presented to the auditee within established timeframes. (**)	See Note**		
(4) Percentage of inspections delivered within timeframes agreed to with relevant stakeholders. (**)	See Note**		
(5) Percentage of closed investigations that resulted in a referral for action to the Department of Justice, State/local law enforcement officials, or relevant administrative authority. (**)	See Note**		
(6) Percentage of closed investigations that resulted in an indictment, conviction, civil suit or settlement, judgment, administrative action, or monetary result.	68%	65%	65%

(*) Results for the 17 percent of our resources dedicated to Goal 4. Total audit reports and investigations conducted encompass the first 6 months of FY 2007.

(**) These are planned performance measures discussed in OIG's FY 2007-2012 Strategic Plan. The measures will be refined and targets set in the annual plan preparation process.